# FINANCIAL TIMES

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World Business Newspaper

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City salaries Roll up for a crazy carousel



**Fund managers** 

What happens when ownership changes

Norma Cohen, Page 22



"terrorist" attack and lambasted

Hamas, sent armoured personnel

carriers to patrol the streets of

Gaza, and said he was banning

**Wagners at war** 

Bayreuth: more than a family tiff

Andrew Clark, Page 15

# over budget plans

Japan's opposition New Frontier party means to force a showdown with the ruling coalition today by blocking agreement on this year's budget, which includes an unpopular plan to use Y685bn (\$6.4bn) of public money to liquidate bankrupt housing loan companies – the jusen. The NFP is pushing for com-mercial banks, which founded the jusen, to bear a high share of any future losses. Page 18

**Dole ahead again:** Senator Bob Dole re-emerged as front-runner for the US Republican party's presidential nomination after winning the the South Carolina primary with 45 per cent of the Republican



tive parties agreed on a coalition, ending months of political stalemate and giving the country its first taste of a rotating premiership. Caretaker prime minister Tansu Ciller, head of the True Path party, struck the deal with Mesut Yilmaz (left) of the Motherland Party, who will be premier first. Turkish politics was deadlocked after

December's polls, when an Islamist party emerged as the largest group in parliament Page 18 iCi on acquisition trail: UK-based Imperial Chemical Industries is on the lookout for acquisitions, and the first deals are likely to be in Asia.

Banks pay premium: Nervousness about the weakness of Japan's financial system has led to Japanese banks paying steeper interest rates for borrowings than competitors with the same international credit ratings. The premium ranges from three to 12 basis points, dealers say. Page 19

Complaint over Telefónica: British Telecom has complained to the competition authorities in Madrid about the behaviour of the Spanish state telecoms group. The UK company accuses Telefonica of using confidential information to lure cus-tomers of BT's joint Spanish venture with Banco Santander. Page 19

Fraud busters seek brighter image: Britain's Serious Fraud Office is considering using a public relations company to improve its image after a string of high-profile prosecutions ended with acquittals or minor sentences. Page 8

Kinner Rouge guerrillas have defected to the gov-ernment in a province near the Cambodian capital, army television reported. It said they had "volunteered to come back to live in normal society" from their base in Kompong Speu province.

Bangladesh protests continue: Prime minister Begum Khaleda Zia failed to appease her opponents with an offer to set up a "non-party" government and call early elections. Instead there were more street protests and demands for her resigna-

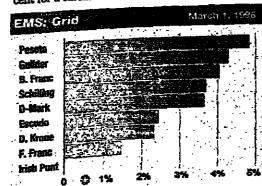
Chechen battle: Russian troops fought a fierce battle with Chechen rebels after being ambushed in Sernovodsk village in the west of the breakaway region. The Russians have recently stepped up efforts to disarm the rebels by force, leading to some of the worst fighting since the war began in December 1994. Moscow shows willingness, Page 2

Prison riots continue: Prisoners rioted for a fifth day in Greek jails and at least four guards were being held hostage. In the Agios Stephanos prison in Patras, where the riots began, immates displayed banners demanding earlier release, better living conditions and transfer to other prisons.

Hassan promises change: Morocco's King Hassan said he would present plans for constitutional reform later in the year, including an amendment to change the parliamentary system. Cur-rently one third of the 333 deputies are picked by electoral college, a system the opposition says does not ensure proper representation. Page 6

Cricket World Cup: England lost for the third time in five matches when Pakistan beat them with seven wickets to spare. But they still qualified for a quarter-final against Sri Lanka next Saturday.

European Monetary System: The Danish krone and Portuguese escudo swapped places in the EMS grid last week as the spread between the strongest and weakest currencies narrowed slightly. The Bundesbank left German official interest rates on hold and fixed the repo rate at 3.3 per cent for a further two weeks. Currencies, Page 29



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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# MONDAY MARCH 4 1996 Japan's opposition Hamas blast wounds peace efforts to force showdown

By Julian Ozanne in Jerusalem

19 die in repeated suicide bomb attack on Jerusalem bus The electoral chances of Israel's

Labour-led coalition government and the future of its Middle East peace effort suffered a potentially devastating blow yesterday after an Islamic suicide bomb blew apart a Jerusalem bus, killing 19 people and injuring 10.

The bombing, on the same bus route and in the same street as a bus blast a week ago, was the fourth attack in a week by the militant Hamas Islamic group. It brought the seven-day death toll

"all-out war" against Hamas. Mr The carnage in central Jerusalem provoked crisis in the gov-ernment and sparked opposition calls for a suspension of the peace process and for Israeli

troops to re-enter Palestiniancontrolled areas. Mr Shimon Peres, the prime minister whose 15-point opinion poll lead over Mr Benjamin Netanyahu, the opposition leader, was destroyed by last Peres also resurrected the idea of physically separating Arab and

As the government began to realise its political future could become hostage to Hamas terrorism it sought to reassure an anyious Israeli public by announcing a series of security measures, including \$100m to build fences between Israel and the self-ruled Palestinian territories.

Mr Peres, who was jeered at Palestinian society, responded the blast scene by rightwing youths chanting "Peres you're next in line", also piled pressure on Palestinian president Yassir Arafat to crack down on Hamas or risk a suspension - even a reversal - of the peace process.

the military wings of Hamas and Mr Arafat, fearful that a other Palestinian groups opposed Labour defeat at the May 29 electo the peace process. tions would spell an end to his The move came after Mr Arafat last week arrested up to 300 Islamic activists and ordered condreams of a Palestinian state and undermine his fragile hold on

fiscation of all illegal firearms. But yesterday's attack proved that Hamas is capable of evading the joint Israeli-Palestinian crackdown. swiftly to Mr Peres's demands In Gaza, Hamas leaders said He strongly condemned the

yesterday's attack ended its revenge for the killing in January of Yahya Ayyash, its master bombmaker, which it blamed on

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Hamas gave Mr Peres three months to respond to an offer of a ceasefire but warned it would

Continued on Page 18 Power of Hamas, Page 6

# Spanish right set for victory, exit polls show

Popular party claims to have ousted Socialists but majority is in doubt

By David White in Madrid

Spain's centre-right Popular party won its first general election victory yesterday with a narrower advantage than expected over the Socialists according to early unofficial predictions. The Socialists had been in power for the 13 years.

The PP greeted the result as "the start of a new era". How-ever, its parliamentary majority hung in the balance after exit polls broadcast by private and state television networks immediately after the close of voting showed a gap of between five and six percentage points between the two main parties.

The Pr per cent of the vote compared with just under 35 per cent for the Socialists led by Mr Felipe González, the outgoing prime

The PP appeared confident this

would give it a sufficient margin of seats in the 350-member congress to be able to govern securely on its own without seeking support from regional parties. One exit poll gave the PP between 167 and 174 seats, just short of an outright majority. Another predicted 160-171, raising possible problems for the future government. The Socialists were shown losing between 24 and 35

of their previous 159 seats. Mr José Maria Aznar, the 43vear-old PP leader, had set a high target for the election, pinning his hopes on winning enough seats to form a single-party government. He wants to press

ahead rapidly with economic liberalisation measures and cuts in

expecting the PP to take between 165-170 seats compared with 141 in the previous parliament. One trader said that if the PP

period of consultations.

The exit polls showed the Comits vote from 9.6 per cent to over 11 per cent, consolidating its postion as the third party but falling short of expectations. The radical Basque group Herri Batasuna, linked to the illegal Eta organisation, was expected to keep its two

The Spanish right has not won power through an election since 1934, during the ill-fated republic which preceded the civil war and

The PP's score, if confirmed, is the highest by any party except the Socialists since parliamentary democracy was restored in 1977. It lost unexpectedly to the Socialists three years ago, but has since taken control of most of Spain's main city councils and 11 of its 17 self-governing regions. However, the Socialists

government spending. Financial markets had been

failed to achieve a clear margin of victory there would be "a nasty self-off". Stock and bond markets have strengthened in recent months in anticipation of a PP win. A new government is not due to take office until next month after the convening of the new parliament, probably on March 27, and after a statutory

seats. Turnout was thought to have been higher than the 1993 figure of 73 per cent.

the Franco dictatorship.



Reflecting on public opinion: Opposition leader José María Aznar leaves a polling station in Madrid. His Popular party claimed victory after exit polls showed it ahead of the Socialist party

## Australian winner warned by unions on pay claims

By Nikki Tait in Sydney

Mr John Howard, who swept to power as Australia's new prime minister in a general election on Saturday, was warned yesterday by the country's top union leader that pay claims would rise under his conservative government.

Ms Jennie George, president of the Australian Council of Trade Unions, said that without the national wages accord which existed under the previous Labor government, workers would live by the rules of bargaining in the marketplace.

"The claims will be higher than those currently in the marketplace." she added.

The challenge came as the Liberal-National coalition was savouring a victory which parliamentary majority for two

The coalition has won at least 90 of the 148 seats in the House of Representatives, putting Labor out of office after 13 con secutive years in power.

Labor appeared to hold about 46 seats, with four independents also elected and a further eight seats yet to be determined. Before the election. Labor

Continued on Page 18 Promise of unity, Page 4 Editorial Comment, Page 17 Lex, Page 18

# Hong Kong citizens set to get visa-free access to UK

By John Ridding and John Kampiner in Hong Kong

Mr John Major, the British prime minister, yesterday rebutted accusations that he was betraying Hong Kong's interests and appeared set to announce today that the colony's citizens will be allowed visa-free access to the UK after next year's handover to

In what is likely to be the last visit by a British premier to Hong Kong before China resumes sovereignty, Mr Major pledged to stand up for the rights of its citizens beyond July 1997. "Even after that date, no one should imagine that Britain's interest in Hong Kong or its commitment to Hong Kong is suddenly going to disappear", he said. Mr Major had come under fire

from Hong Kong's Democratic party which accused him of betraying the colony and giving priority to developing Britain's trade interests with China. Mr Martin Lee, leader of the Democrats, denounced as "pre-

posterous and offensive" Mr

meeting last week with Mr Li Peng, China's prime minister.

The Democrats, the largest group in the colony's Legislative Council (Legco), argue that the British premier did not take a firm enough stance on safeguarding human rights in the colony after the transfer of sovereignty, or on the fate of Legco, which China has pledged to abolish

The issue of visa-free access has dominated local debate ahead of Mr Major's visit and is seen as an important test of British support for the colony. Britain's stance on the issue is

expected to influence decisions by other governments, while failure to grant access could also prompt retaliatory steps from China, such as the imposition of visa requirements on UK nationals visiting Hong Kong.

Officials played down suggestions that visa-free access could be subjected to a review or time limit. Hong Kong governor Chris Patten, who has strongly advocated visa-free access in defiance of criticism from rightwingers in Mr Major's cabinet, described the Major's positive account of his

issue as the "the single most important decision the British government still has to make

the regional government.

towards Hong Kong". He said failure to allow visafree access would constitute a "big thumbs down" for the territory and would threaten the business flow between Britain and Hong Kong. "This has no political downside whatsoever, and a good deal of commercial benefit."

The governor described as "absurd" Mr Lee's criticisms and said diplomatic disputes with China had not damaged trade between the two countries. He said Beijing had to recognise that Britain would continue to have a commitment to Hong Kong for the next 50 years.

Mr Major also faced criticism in Britain, as the opposition Labour party alleged he was seeking to raise funds for the Conservative party from Hong Kong business leaders. He described such claims as "nonsense", and officials said the prime minister would not be fundraising during his visit.

Patten ponders return, Page 8

anneared to have achieved a surprise victory in a regional contest staged in Andalucia yesterday. According to exit polls, it OYAR CLES increased its lead over the PP. enabling it to retain power over BUISINGS Maineleo Businesses thrive in the North East. Whether you require city-centre office space. state-of-the-art factory units or bespoke sites. Tyne & Wear Development Corporation will deliver the support your business needs. It all starts with this coupon, or call 0800 838888, fax 0191 273 2005. No business rates until the year 2000 v Office / factory rents from £4.50 sq ft . Prestigious riverside locations Please send me further details on how my company can profit in the North East.

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LANDON - LIEDS - PARIS - FRANCISKT - STOCKHOLM - MADERO - MEN YORK - LOS ANGELES - TOKYO

# Kohl to exploit opposition split

Chancellor Helmut Kohl's governing coalition is set to exploit a widening dispute between the environmentalist Greens and the opposition Social Democrats (SPD) over the future status of the Aussiediers before three crucial state elections later this month. These are the tens of thousands of ethnic Germans in eastern Europe and the the former Soviet Union who are

constitutionally entitled to enter Germany without restriction. The issue arose at the Greens' conference in Mainz at the weekend after Mr Oskar Lafontaine, SPD leader, said restrictions should be imposed on Aussiedlers entering Germany. He claimed it was irresponsible to admit such large numbers who immediately became unemployed. But the Greens, who are seeking closer links with the SPD to challenge Mr Kohl's coalition in the 1998 federal elections yesterday said the SPD leadership was playing a "shameful and cynical campaign" to win votes. Judy Dempsey, Berlin

#### French socialists in jobs plea

France's opposition Socialist party is suggesting a European "economic government" as a democratic counter-weight to a European central bank overseeing a planned single currency from 1999. The party's national council approved a document urging greater efforts to create jobs and solve social problems alongside moves towards economic and monetary union.

The document renewed the party's commitment to a planned single European currency from 1999, and proposed a European economic government under democratic control, with jurisdiction over the European central bank, and a precise definition of the levels of competence for economic policies. The text of the proposals will be debated ahead of planned ratification at a party congress on March 30 and 31. The meeting also accepted a suggestion by former party leader Mr Henri Emannuelli to demand that the EU sets a minimum

#### Hungary conservatives split

Hungary's conservative opposition party, the Hungarian Democratic Forum (MDF), seemed to be heading for a split yesterday following the election of a nationalist candidate as party leader at its annual congress. Deputy chairman Mr Sandor Lezsak defeated the more moderate parliamentary leader and former finance minister Mr Ivan Szabo in a

two-horse race for party chairman.

In his victory speech Mr Leszak appealed for unity. However, following Mr Lezsak's win a number of supporters of Mr Szabo withdrew their candidacy for other top party posts. The MDF has been in difficulties since it was swept from power in spring 1994. But the MDF remains the largest party in a fragmented opposition to the governing coalition of the Socialist party and the Free Democrats. Reuter, Budapest

# EU farm aid for new members may be cut By Caroline Southey in Brussels Gueed under the 1992 reforms of the cost Ecus. 6bm (%5 9hm) be cost EU's Common Agricultural To the cost Ecus. 6bm (%5 9hm) be cost EU's Common Agricultural To the cost Ecus. 6bm (%5 9hm) be cost

Farmers in central and eastern European countries admitted to the European Union should not be subsidised in the same way as farmers in existing member states, according to a draft report prepared by the Euro-

The suggestion is based on studies of the economic impact EU farm aid would have on less-developed eastern and central European farm sectors. It concludes that compensation intro-

offset price cuts, would drive up land prices, damage rural development and create inflationary pressures in new member states.

The report underlines the need for further CAP reform ahead of enlarge-ment and raises awkward questions about whether the EU intends to match payments from the CAP to new members. It cites the Commission's calculation that without CAP reform, compensation to new members would

Ecu9bn.

The report will also fuel the debate egy paper on agriculture and enlarge-ment produced at the end of last year. which pointed out compensation pay-ments might not be justified following accession because farmers might not experience any price cuts on joining the EU. It underlined the principle that the EU should not discriminate between old and new member states,

ought to be used in alternative ways.

The latest report admits that the
economic arguments against paying
aid leaves unanswered the political question of how to defend the transfer of cash subsidies to farmers in the rich EU-15 countries, but not farmers in poorer central and eastern Europe. But it warns that applying "com-mon policies in unequal circumstances could produce different, not

The findings appear in a draft

department on the economic conse quences of extending CAP compense tion to 10 central and eastern Euro-pean countries - Poland, the Czech and Slovak republics, Hungary, Bulgaria, Romania, Latvia, Lithuania, Estonia and Slovenia

The paper says compensation payments could contribute to inflationary pressures as they would provide cash injections that would lift overall

# Russia's future played out on steel plant floor

children can still about the Kuznetsk Steel Works, a massive Siberian steel mill that was one of the flagships of Stalin's ruthless industrialisation drive when it was built in the 1930s. More than six decades later the agecentre of Russia's political and economic transformation.

Like thousands of other factories in provincial towns across Russia, the mill is the subject of a fierce dispute between private investors who have acquired a controlling stake, and Soviet era managers who refuse to surrender con-

Upcoming presidential elec-tions, which threaten to put a communist leader back in the Kremlin, have distracted attention from this escalating struggle to run the Russian economy. But regardless of who wins the June presidential ballot, it is showdowns on the factory floor that are likely to determine the role of private ownership in Russia for decades to come.

At the Kuznetsk Steel Works, which employs 33,000, the conflict worsened earlier

But the most intriguing twist in the fight for the steelworks

this month when, on the strength of a court ruling in his favour, Mr Nikolai Fomin a former director of Kuznetsk who is allied with the share-

is the involvement of local political heavyweights. Mr Mikhail Kisliuk, governor of the Kemerovo region, where the plant is located, was holders, entered the factory appointed by Mr Boris Yeltsin, with a half-dozen armed police and is one of the Russian presimen and occupied the general dent's staunchest allies. But

ing behemoth is again at the A dispute in Siberia has cast doubt on Yeltsin's market reforming credentials. Chrystia Freeland reports

> director's office. But the next day Mr Evgenii Braunshtein, the current manager who is fighting to keep out the private investors, returned with an even bigger contingent of local policemen and ejected Mr Fomin.

> Even then, the struggle was not quite over. Using the court decision that made him rightful general director of the steelworks, Mr Fomin acquired signing authority over the Kuznetsk bank accounts and cut off his rival's access to the money. Only after the personal intervention of the governor of the region did Mr Braunshtein reassert full financial control.

Mr Kisliuk is also Mr Braunshtein's biggest backer, and approvingly quoted Stalin in a recent local television interview about the dispute.

Meanwhile, the private shareholders, who accuse Mr Kisliuk and Mr Braunshtein of making a personal profit from the plant's lucrative metals exports, have found an unlikely supporter in the figure of Mr Aman Tuliev, a popular local politician who is number-two in the Communist

Sitting in his luxurious offices, which are guarded by policemen in bullet-proof vests and monitored by a video camera, Mr Braunshtein outlines his strategy for resolving the

conflict over the Kuznetsk Steel Works: he would like at least a 10 per cent stake in the plant to revert to state ownership and to be administered at the regional level.

"I would like the state to be the guarantor. Our problems should be the government's problems and our happiness should be the government's happiness," Mr Braunshtein

As further insurance against a takeover by outside investors, Mr Braunshtein has also launched an aggressive effort by the Kuznetsk Steel Works to buy back its own shares. To help management in this campaign, Mr Braunshtein is openly penalising factory workers, believed to own about 30 per cent of the shares, who sell their stock to outside

"It will lead to greater debts [the share buy-back campaign] but we must do it to preserve the factory," Mr Braunshtein

The alliance of private investors still hopes it will succeed eventually in asserting real control over the Kuznetsk Steel Works, but the govern-



local businessmen sceptical of Mr Yeltsin's support for private business in Russia.

"They are almost bankrupt, but at the same time they are buying up their own shares. That's not right and its not legal," says Mr Valerii Pugachev, general director of Hermes-Metal-Invest, a local investment company which owns about 10 per cent of the steelworks.

"Kisliuk [the governor] has no right to interfere in the and portraying himself as the administration of a private company. If this continues we ment's open support of the can just close down any fall on deaf ears.

the smallest kiosk."
Other local businessmen say the dispute at the Kuznetsk Steel Works threatens to discredit Mr Yeltsin's administration. While posing as a market reformer, they say, Mr Yeltsin

in fact represents the interests of a corrupt, quasi-feudal elite. "Kemerovo is Russia's most industrialised region and it is the one which once supported Yeltsin the most," explains Mr Mikhail Zhivilo, the Moscow financier who has acquired control of a local aluminium smelter and is an ally of the private investors trying to take over the steelworks.

"Now Kemerovo votes for communists. And why? Because Kisliuk. Yeltsin's man, is a thief. Looking at Tuliev, I have to say the communists are much more hon-

As the race for the presidency heats up, Mr Yeltsin has tried to rally support from Russia's fledgling bourgeoisie by warning that the communists are bent on renationalisation only defender of private property. But, in regions like Keme-

# Telephone manners



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# Moscow shows willingness to meet Chechen leaders

By John Thornhill in Moscow

Gen Pavel Grachev, Russia's defence minister. is today expected to visit the breakaway region of Chechnya amid signs that Moscow may be willing to enter direct talks with rebel commanders in an attempt to end a bloody 15month conflict.

In a television interview over the weekend Gen Grachev said he would be prepared to open talks with Gen Dzhokhar Dudayev, the Chechen leader who declared independence from Moscow in 1991, if that would belp end the Until now, Moscow has refused to consider

talks with Mr Dudavey, who has been branded a "bandit" by Russian leaders. The Kremlin's drastic reversal of policy highlights President Boris Yeltsin's desperation to end the war, which has claimed more than 30,000 lives and around the village of Sernovodsk.

undermined his chances of being re-elected. Several powerful Russian regional leaders, such as Mr Boris Nemtsov from Nizhny Novgorod and Mr Mintimer Shaimiev of Tatarstan. have linked their political support for Mr Yeltsin to a cessation of bostilities. A recent opinion poll in the Sevodnya newspaper suggested Chechnya would be the most important factor determining how electors vote.

It is unclear how the two sides will find

common ground for a lasting peace settlement, even assuming Mr Dudayev is willing to talk. Gen Grachev said any talks must be predicated upon Chechnya accepting it is part of the Russian Federation. But some rebel Chechen leaders have said they will settle for nothing less than full independence.

Fierce fighting continued to rage yesterday between separatist forces and Russian troops

# Weapons build-up adds urgency to Cyprus issue

Bruce Clark reports on the complex issues raised by the prospect of the island's accession to the EU

longest-running "regional problem" in Europe, is again forcing its way up the diplomatic agenda in Washington, London and

A mixture of fear, expediency and prudence is refocusing minds on the Mediterranean island which has been split since 1974, when Turkey occupied its northern third after a short-lived coup by supporters of union with Greece. The fear is provoked by a steady increase in armaments

on both sides, prompting the United Nations secretary general to describe Cyprus as one of the most heavily militarised areas of the world. In the words of one western

diplomat: "The arms build-up does not necessarily make a flare-up more likely, but it means that the consequences of a clash would be even more terrible." In Washington at least, interest in the island has been kept alive by the demand of Greek-American lobbyists for the Clinton administration to tackle Cyprus with the same energy as it brought to Bosnia. Mr Richard Holbrooke stepped down last month as US troubleshooter in the Balkans with a firm injunction to his successor that 1996 should be the year of Cyprus - and an assertion that Britain fully

shared his impatience. UK officials have politely distanced themselves from this upbeat view - but Mr Jeremy Greenstock, political director of the British Foreign Office, recently visited Athens, Ankara and Nicosia to assess the prospects for progress.
Britain's interest in Cyprus

stems from its role as a guarantor power, and its two mili-



Turkish-Cypriot leader Rauf Denktash, 72, is in intensive care after a heart attack yesterday. Doctors said his condition was stable.

more recently, from the looming prospect of the island's accession to the European A 14-year-old Greek veto on

developing Turkish links with the European Union was lifted last March under an elaborate compromise deal which committed Brussels to opening talks with Cyprus on EU acces-

These talks are to start within six months of the end of the inter-governmental conference on the EU, which starts in a few weeks.

The recent downturn in Turkish-Greek relations has brought home to Britain and other EU members the complexity of the issues raised by their promise to Cyprus.

When Greece insisted last week on postponing payment of EU credits to Turkey - on grounds that Ankara was pick-ing fights in the Aegean -French officials accused Athens of wrecking a delicate

But Britain found itself alone when it blocked the efforts of the EU's Italian presidency to issue a statement which appeared to imply some questioning of EU promises to Tur-The EU has stopped carefully

not admit the Greek-Cypriot administration, which is internationally recognised as the island's government, unless there is an agreement on reunifying the island. If any stipulation had been made, it would have given the Turks an effective veto over

Cypriot accession. But in the words of a senior British offi-cial, it would be "monumental folly" for the EU to admit Cyprus without a settlement. Mr Mustala Ergun Olgun, a Turkish-Cypriot official who visited London last week as a Foreign Office guest, insisted that the prospect of EU mem-bership could and should be

used to extract concessions from the Greek-Cypriots. Diplomatic pressure on the Greeks to clear the way for a loosely-united island to join the EU could balance out the ssure which has long been felt by the Turkish-Cypriots because of their economic iso-

lation, he argued. For the Greeks, however, last year's promise to admit the island to the EU was not dependent on any further concessions. The island's economy, they say, is so healthy it could join the fast stream towards European integration almost immediately.

And if the EU insists on blocking Cypriot membership indefinitely, there is an awful prospect that Greece could block the EU's enlargement to the east - and paralyse European integration for good.

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short of saying that it would

Yilmaz and Ciller have buried the hatchet, but it may be only temporary, reports John Barham

he formation of a cen-tre-right coalition government in Turkey yesterday has finally ended two months' confusion and uncertainty, but political analysts and members of the business community remain unsure about the government's durability or effectiveness.

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Some fear that Mr Mesut Yilmaz, the new prime minister and head of the Motherland party, and Mrs Tansu Ciller, the outgoing prime minister and leader of the rival True Path party (DYP), may simply have postponed, not abandoned, their damaging struggle for control of Turkey's centreright electorate.

The two leaders, who in the past scarcely concealed their contempt for each other, have agreed to share the premiership. Mr Yilmaz will take over from Mrs Ciller for the rest of the year before handing power back to her for two years, after which he will again serve as

However, Mr Yilmaz warned: "We know how difficult the conditions are in which we must work. Rotation [of the premiership] may add more difficulties to our work. To be successful, both parties have to act like two partners."

Negotiating a watertight agreement was not easy. One commentator close to Mr Yilmaz said: "The Motherland party was very careful in the negotiating process to prevent the other side playing tricks, but it is also trying to see how it can trick [True Path]."

Their partnership is inspired

by the uneasy coalition between Israel's Labour and Likud parties, which rotated the premiership between them in 1980-84. Jerusalem even provided True Path and Motherland with copies of the Labour-Likud coalition document.

As well as being debilitated by internal rivalry, the coalition lacks a majority in parliament. Together they can mar-shal only 261 MPs, 15 short of a majority. Bargaining for support from the two centre-left parties that control 124 MPs could blunt the edge of the new government's planned free-market economic reforms Still, the media, the business

community and the politically

powerful military will probably keep up their pressure on the two to work together, just as they insisted that the two set their personal rivalries aside

and form a government to exclude the Islamist Refah (Welfare) party from power. Mr Yilmaz attempted to form a coalition with Refah, which emerged from last December's elections as the largest party in parliament, after twice fail-

ing to forge an alliance with

Mrs Ciller. However, Turkish media reported that Refah-Motherland alliance talks collapsed after the army told Mr Yilmaz it would not tolerate a coalition with Refah.

While many Turks heaved a sigh of relief that Refah, which seeks to transform a 73-yearold secular republic into an Islamic one, has been excluded from power they also fear it will grow stronger in opposition. Refah and the small pro-

request meetings with Presi-

dent Jacques Chirac and the

prime minister, Mr Alain

Juppé, to demand meaningful

social dialogue with the gov-

ernment, and to focus on the

Even so, away from mili-

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faces some serious challenges

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now the only real opposition in parliament, as the two social democratic parties say they will support the True Path-Motherland coalition.

If the new government does carry out its promise to push through wrenching economic reforms, these policies could hit the poor and state employees hard. Industrial wages are already as low as £97 a month.

Still, MPs from both sides have made little secret of their intention to continue fighting each other for control of the centre-right, which traditionally represents about half the

Motherland hopes to discredit True Path by exposing alleged irregularities committed during Mrs Ciller's 32 months in power. Mrs Ciller's followers say Motherland. divided among conservatives, Islamist sympathisers and liberals, may split.

Optimists say the real differences between the two parties are exaggerated. Hürriyet newspaper reported last week that they planned to merge by the end of the current parliament. Either Mr Yilmaz or Mrs Ciller would assume the presidency after President Süleyman Demirel's term ends in 2000 and the other would remain as prime minister.

The papers were united in

EUROPEAN PRESS REVIEW

# Winning TV football bid raises scepticism

Mr Vittorio Cecchi Gori has all the qualifications to make television shows in Italy, La Repubblica commented sourly on Friday. "A gigantic conflict of interests... a football team, sport and film TV rights, political protection and backing from the banks." The reference was to the owner of the Florence-based Fiorentina team who also controls Telemontecarlo and Videomusic - two small TV channels with less

audience. Mr Cecchi Gori had just astounded the country and dismayed football fans by winning the TV rights for Italian football, beating the state-con-trolled Rai broadcasting organisation with his bid of L213bp (\$135m) for each of the next

than 5 per cent of the national

three years. The centre-left La Repubblica was also taking a sideways swipe at one of its archdemons, Mr Silvio Berlusconi, the former prime minister and owner of AC Milan. As the paper said in a return to the subject on Saturday, about the only thing which could make Mr Cecchi Gori jealous of Mr Berlusconi was that the latter's team was leading the first divi-

Gori, because of doubts as to whether his network could cover the country and as to how he would finance the bid.

But they also poured scorn on the vanquished Rai, which has not been permitted by the government to enter the pay-TV field either. Rai's chairman, Ms Letizia Moratti, seen as linked to the political right. suffered more humiliation when Mr Pippo Baudo, king of TV variety and the San Remo song festival, said he might desert "Mamma" Rai.

"Suffocated by the maternalism of a chairwoman who imprints her style on the business way beyond her prerogative, the Rai has lost football and Pippo Baudo in one blow," said *La Stompa* on Saturday. The papers were concerned

for football fans, who face the loss of beloved Rai programmes such as "Novantesimo Minuto" (Ninetieth minute) and "La Domenica Sportiva" (Sunday Sport), and La Repubblica reported a poll which showed 80.9 per cent of those interviewed expressing doubt that Mr Cecchi Gori could do as good a job as the

But the papers spotted even more serious implications. For years, said La Repubblica, there has been a need for a third TV axis to rival the Rai

their scepticism of the football and Mr Berlusconi's Fininve league's choice of Mr Cecchi but given the financing doubts and Mr Cecchi Gori's conflicts of interest - he is a senator with the central Popular party was this the right way to establish one? Mr Cecchi Gori is seen as a backer of Mr Lamberto Dini, the caretaker prime

> versially launched his own central party, Dini Italian Renewal "Cecchi Gori is today Berlus coni's rival but he has the same idea," said Gianfranco Piazzesi in the Corriere Della

> Sera yesterday. "He is convinced the successes of a football team and a TV network can push him on." Mr Cecchi Gori has denied

wishing to present "Telly-Dini" but the Giannelli cartoon in the same Corriere edition envisages "The big centre" on Telemontecarlo, with all the players in the centre of the La Stampa yesterday

reminded readers that Mr Cecchi Gori and Mr Dini were both Florentines. But it held out hope there might be extra time in the match between competing teams.

"The Romans, meanwhile, observe, chat and do their sums... With emperors, popes, kings and presidents. they have known for over 200 years the story.

# Unfair, claims Berlusconi

The gloves came off in Italy's election campaign yesterday as supporters of the former premier. Mr Silvo Berlusconi. accused the current prime minister, Mr Lamberto Dini, of having unfair television access, AFP reports from Rome.

President Oscar Luigi Scalfaro meanwhile urged the competing coalitions to make "credible commitments" with programmes "possible to carry out". Mr Berlusconi, media magnate and leader of the rightwing National Alliance. demanded that existing elec-

toral laws be changed to limit the amount of television air-time allocated to Mr Dini during the election campaign.

The current law guaranteeing equal media access to candidates was put in place in 1994 to prevent the Berlusconi-led coalition gaining an unfair advantage - he owns three private television channels. At the time he protested vigorously against the law.

But when Mr Dini, the caretaker prime minister, said he did not intend to change the law for the current elections. the right wing reacted angrily.
Under the law, political advertising is banned 30 days before the elections - scheduled for April 21 - and candidates are allocated equal air time. However Mr Berlusconi's party, Forza Italia, said regular government business, including Italy's current role as President of the European Union, was itself a form of advertis-

Mr Dini said he would only change his position under pres sure from "a great majority of



Rotating premiers: Ciller and Yilmaz shake hands yesterday Perser

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# Red scarf hides uncertain future

By Andrew Jack in Paris

If one thing more than any other characterised the militants gathered for the 18th congress of Force Ouvrière, one of France's largest unions, which closed in Paris this weekend, it was the red scarf.

Hundreds of activists were wearing the strip of cloth popularised in numerous images by Mr Marc Blondel, head of the union and one of the most important leaders of the demonstrations against the government's social security reforms at the end of last year.

Mr Blondel held court for admirers impressed by his performance during the strikes. Yet the national congress, held once every three years, was not as comfortable as it might have been. For the first time since the creation of the union in 1948, a secretary general

standing for re-election faced an opponent.

Mr Jacques Mairé, head of the Paris regional branch, announced his candidature late last year, accusing Mr Blondel of being in the control of Trotskyist militants and leading the organisation in the direction of conflict and protest.

Equally embarrassing, Mr Blondel faced recent criticism from Mr André Bergeron, his well-respected predecessor as head of Force Ouvrière (FO) from 1963 till 1989, who argued that - unlike the union under its new leader - he supported the French government's social security reforms.

In the event, Mr Blondel carried the day easily. While Mr Mairé knew bis defeat was inevitable, he had hoped to win up to 30 per cent of the vote. In fact, he won just half that. Mr Blondel pledged to

handshake during the strikes with Mr Louis Viannet, head of the rival CGT union. Some fear the development of stronger links between the

two organisations.

Externally, FO is also under threat. Union membership in the country continues to decline, standing at below 10 per cent. In itself, this is not necessarily a threat - French unions have never had a tradition of mass membership, and, as December's strikes show, can still mobilise considerable

chorus of the "Internationale" Yet the workforce is realignat the end of the congress, FO ing, and FO's traditional power base in the public sector is under threat. The latest works' in the realignment of the French trade union movement. committee elections in work-Internally, there are clearly forces around the country also report was approved by 78.10 seem to show FO losing ground per cent, down from 84.23 per to the CGT, and to the CFDT, cent in 1992. Lingering critithe more moderate union.

It is no surprise that this weekend Mr Blondel stressed one of his top objectives was to launch a recruiting drive in the private sector. How successful he will be is more open to question.



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# Bangladesh's PM offers to step down

Mrs Khaleda Zia, Bangladesh's prime minister, yesterday moved to meet the central demands of opposition parties which boycotted last month's elections by offering to form a "non-party" government to hold a contested poll "in the short-

est possible time". However, opposition activists immediately took to the streets of main cities to protest against the offer, which was made in a national

television broadcast. Police using teargas put down protests in Dhaka. the capital and Rajshabi, to the north. Opposition leaders offered no nmediate comment.

Mrs Zia said she was prepared to stand down in favour of a neutral government for the purpose of hold-ing a contested poll to be supervised by the country's election commission. Management of state affairs would be handed over to the interim administration before and during

the poll, she said. The prime minister said a bill

would be introduced to parliament, now dominated by her Bangladesh Nationalist party after last month's opposition-boycotted poll, to enable the proposed election. "Let's all

accept realities without causing fur-ther harm to the country," she said. Bangladesh's three main opposition parties, the Awami League, the Jatiya Party and the Jamaat-I-Islami, boycotted and disrupted last month's general elections which they claimed were invalid. All three have insisted the BNP was incapa-ble of holding a "free and fair" poll

taker government" Violent clashes before, during and since the poll have claimed 30 lives and left hundreds injured. The oppo-sition has vowed to "close down" the country from March 9, seeking the resignation of Mrs Zia and demanding new elections under a neutral government within 90 days. Mrs Zia's address follows her claim before February's poll that she could not meet opposition

and that they would participate in change which her previous govern-elections only under a "neutral care-ment did not have a sufficient

With such a majority now in place, Mrs Zia also said last night the government would also put her fresh proposals to a referendum. Earlier discussions between Mrs Zia and the opposition over creating an interim government have previously foundered on detail, while having also resisted strenuous diplomacy from both Bangladesh's main aid donors and the Common-



Khaleda Zia: prepared to resign

# Howard weighs into office with a promise of unity

job with a promise to both unify the country and differentiate his government from that of the previous Labor adminis-

He talked of "a government not only for the people who voted for us, but those who voted against us." He continued: "We have been elected with a very powerful mandate, and whilst I will seek at all times unity and a common point of view, we have not been elected to be just a pale imitation (of the outgoing government)".

Stirring as the words were, the harsh reality this morning is that achieving these twin objectives is going be tough.

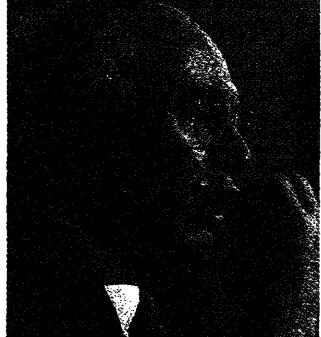
Mr Howard has a huge

majority in the House of Representatives, parliament's lower house (and the one which determines who forms the government). The Liberals and their coalition partners, the National party, hold at least 90 seats out of 148, compared with Labor's 46. The majority could go as high as 52 when counting is finally completed.

But the precise strength of Mr Howard's mandate, and what it really covers, is more

The first set of caveats arise on the political front. While there was a big swing against Labor of about 6.2 per cent (before allocation of prefer-

T John Howard, who became Australia's 25th prime minister on Saturday night, claimed his



John Howard: "We have a very powerful mandate"

ferable vote system), the swing to the coalition was more modest - about 2.2 per cent to the Liberals, and just over one per cent to the Nationals.

More significantly, there was also an appreciable swing to the Australian Democrats, one of the minor parties, in a concurrent election for about half

Through parliament's upper house all legislation (including finance bills) must pass. Final Senate results will not

be known for about a fortnight. But the Democrats, a left-leaning party with a strong social and environmental agenda, look likely to emerge with eight seats, compared with

#### THE MAIN POLICIES

☐ A\$1bn-worth of annual tax breaks for low- to middle-income

Tax or cash rebates for private health insurance, but Medicare to be retained with no increase in levy

□ No further scrutiny of wage agreements by Industrial Relations Commission, but a new Employment Advocate set up to advise workers. Wage agreements cannot fall below award levels

Tougher sanctions against secondary boycotts during industrial disputes; unfair dismissal laws to be changed to make it

Easing of capital gains tax on small businesses and improved

tax treatment for employee share plans

Banks to be able to sell superannuation products, and a review of the financial sector to consider removing regulatory barriers between banks and non-banks. Bank mergers with life offices a possibility

☐ A third of Telstra telecoms company to be sold to private investors, with restrictions on foreign ownership

Public review of media cross-ownership rules Amendments to simplify Native Title Act

End to policy restricting uranium mining to three sites

☐ Negotiations to restart on trans-Tasman aviation market

tor and an independent, they are likely to retain the balance

of power in the upper house. This could be difficult for Mr Howard. The Democrats campaigned on an agenda which differed from the coalition's in many respects, and took as their slogan "Keep the bas-tards honest". Saturday's result appears to give them a mandate, too.

Senator Cheryl Kernot, the Democrats' leader, said yester-day she hoped to be able to work constructively with the

perhaps one Green party sena- she has also pledged not to thwart supply (that is, the bulk of a government's finance package). But Ms Kernot sig-nalled that the Democrats' opposition to certain coalition policies would not be easily

> For example, the new government wants partially to pri-vatise Telstra, the big telecommunications group, and fund a A\$1bn environment package only out of these proceeds. The Democrats reject both the sale and the linkage.

The second set of problems

of policies which were any-thing but radical It pledged to retain key social services such as Medicare, the national health insurance programme, and also promised not to increase taxes. It announced new spending commitments of about A\$6.3bn (£3.1bn) (spread over the three-year parliamentary term), with the big ticket items being rebates to encourage people to take out private health insurance, and tax breaks for low to middle-in-

come families.

The difficulty will be meshing the spending and tax concession commitments made in the campaign with a promise to move Australia to a budget surplus, an essential objective if the country is to address its

chronic savings problem. The scale of the problem is a matter of hot debate. Most economists believe that Australia's faces an underlying budgetary deficit (excluding asset sale proceeds) of about A\$8bn in 1995-96. This equates to about 2 per cent of gross domestic product. Published forward estimates for 1996-97 are 10 months old, but there is a strong suspicion that the prospective deficit for the following financial year could lie between A\$2bn and A\$9bn. Mr Peter Costello, who will be federal treasurer, says he expects to see the latest Treasury esti-

mates today. While the coalition claimed to have more than funded all

ting revenue measures or expenditure cuts, making up this additional gap on top may not be easy. Mr Howard, moreover, has said very firmly that campaign commitments will not be broken in pursuit of fiscal rectitude: "We will always give preference to our promises. No promises to individuals will be broken," he has

Thirdly, the new prime min-ister will have to contend with the spectre of wage inflation. The Australian Council of Trade Unions (ACTU) has warned that in the absence of a wages accord between the unions and the coalition - a centrepiece of Labor's strategy - market bargaining rules would apply.

Some employer groups dismiss this as bluster, pointing out there will be pressure on the ACTU to act responsibly not least because its threats of industrial disruption during the campaign are thought to have enlarged the coalition's victory. But not everyone is optimistic. On Friday Mr Stuart Hornery, chairman of Lend Lease, the property and financial services group, warned it could be "a difficult industrial climate going forward" if the coalition won.

Despite the decisive outcome on Saturday night, Australia could thus face a nervous few months. Achieving anything close to unity will be a big and immediate test for an inexperi-

#### China to permit Îimited forex trading

China is to permit pilut interbank foreign exchange trading in four locations as a step towards currency convertibility on the current account, writes Tony Walker in Beijing. The centres, open to foreign banks and companies, will be established in the coastal cities of Shanghai, Dalian and Shenzen. Eastern Jiangsu province will also be included

in the experiment. Regulations issued by the People's Bank, China's central bank, mean foreign-funded institutions will be permitted to trade foreign exchange at designated banks without first securing approval of the State Administration of Exchange Control. But foreign companies will be obliged to open a single trading account in each city. The central bank will impose ceilings on funds lodged in them.

In Beijing, a foreign banker welcomed the new rules as "another step" towards convertibility, but said it was not clear how much latitude foreign banks and companies would be permitted.

Bankers hope experimental moves towards convertibility will open the way for limited dealings in local currency. Foreign banks have been urging the authorities to allow them to conduct yuan business. A representative of the central bank said the aim of the new rules was to "provide more convenience and freedom for firms to purchase and sell foreign exchange."

"Ceilings on the accounts will be somewhat relaxed ensuring that the firms will be able to conduct daily transac-

tions," he added.
The official Xinhua newsagency quoted a Chinese official as saying that "exposing overseas-funded firms to the interbank foreign exchange market is the most important step China has taken so far to turn the renminbi into a completely convertible currency."

China has indicated it will make moves towards convertibility this year, but bankers are sceptical. They believe that it will take more time for China to put in place mechanisms to support such moves. • China's exports during December fell about 7 per cent with the sam period in 1994, indicating its export surge may be slowing. Chinese customs reported that exports in December totalled \$17.2bn, while imports were \$18.5bn, up 3 per cent on 1994. China recorded an overall \$16.7bn trade surplus last year compared with \$5.4bn in 1995. A surplus of \$50n to \$6bn is forecast for this year. Total two-way trade in 1995 reached \$281bn, an increase of 18.6 per cent over the year before. Exports rose 23 per cent and

imports 14 per cent.

# Canberra's new boys on the block

By Nikki Tait in Sydney

Liberal-National coalition's sweeping victory on change to the prominent faces in Canberra.

After 13 years in opposition, many of those who stand to take senior jobs are little known. Aside from Mr Howard himself, only one other coalition member has served as a federal minister.

One person who does enjoy high recognition, despite the fact that he only entered federal parliament in 1990, is Mr

Peter Costello. The 38-year-old deputy Lib-eral party leader has already been promised the treasurer's job, a position he has been shadowing for two years. Mr Costello, a one-time stu-

dent activist, comes from a middle-class, Baptist backwith the young Paul Keating

of withering scorn and bomattention when, in an earlier life as a lawyer, he triumphed in the "Dollars Sweets" case a landmark ruling in which a small company took on the

labour movement.

ground in Victoria and comparisons have already been drawn probably lack a majority. Like the outgoing prime min-ister, Mr Costello is a highly effective debater, capable both

Mr Costello shot to national unions over wages. It won him the everlasting enmity of the

The reservations are whether Mr Costello's bullying

manner will be well suited - or sufficiently softened - to deal with a delicate situation in the Senate, parliament's upper

Some detractors have also wondered whether there may be more show than substance to this rising star; where, for example, within the Liberal party's broad church, do his ideological allegiances really lie, and how deep is his mas-

> If Mr Costello's fate is clear. it is less certain what will happen to Mr Alexander Downer, who briefly preceded Mr Howard as coalition leader and has been shadowing the foreign affairs portfolio.

A couple of ill-judged remarks and media blunders forced Mr Downer out of the leadership job. Since then, he house where the coalition will has put in diligent and often effective performances.

But there is a big concern that any slips in the foreign affairs field could be highly damaging to Australian interhands believe that he will be offered either the defence or finance portfolio, leaving Senator Robert Hill to take foreign tery of the key economics port-Senator Hill, a South Austra-

lian barrister who has been in parliament since 1981, has been the coalition's leader in the Senate. He has a much lower profile than Mr Downer, but wins points for reliability.

On the Labor side, changes will be no less significant. Paul Keating said on Saturday he would not recontest the Labor leadership position. As a result, the party is

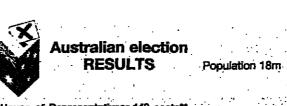
existing deputy, Mr Kim Beaz-Mr Beazley, a burly, avuncular Western Australian, is likely to be a popular choice. A former Rhodes scholar, his

expected to rally around his

intellect is respected and he has experience of a number of senior portfolios. Here, however, the big reservation has been whether Mr Beazley has the required steel to unite the party's various

strands, and drive the agenda

forward. Put simply, he is per-



House of Representatives: 148 seats (1993 results in brackets).

Liberals Nationals The outgoing house had 147 seats, but redistribution gives the

There is also a more immediate difficulty - namely whether Mr Beazley retains his Perth-based seat of Brand, which was held only on a margin of 3.7 per cent. By the end of counting on Saturday, he was about 100 votes ahead, but with some 3,000 pre-poll

lied. The final result may not be known for a week. Lavarch, who at 34, won plaudits all round for his handling of the attorney general's job. Lex. Page 18; Editorial Com-

ment, Page 17

# 'sympathetic'

sympathetic response" to sugsympanic response to ag-gestions from members of the Asia-Pacific Economic Co-operation forum that it match Asia's trade liberalisasures of its own, Sir Leon Brittan, EU trade commissioner,

But he made it clear that any action would depend on real liberalisation being agreed by Apec at its meeting in the Philippines this autumn.

"We will see what Apec actu-ally decides to do," he told foreign ministers attending the EU-Asia summit. "We will consider it carefully, taking account of what we have already done and are doing, and will see if what Apec is doing goes beyond this with a view to giving it a comparable

that Europe could respond to the Apec challenge. European officials admit that Asia's newfound enthusiasm for trade lib-eralisation put the EU under more pressure on trade issues than had been expected at the

also hedged with qualifications. The EU was already tak-ing various actions, he said. "We are liberalising our financial services, telecoms and other sectors, creating a single barrier-free market open to our Asian partners. This can be regarded itself as a response

"We were on the defensive on trade, while they [Asia] were on the defensive on human rights," said one. Asian countries suggested at the summit that Europe might get a "free ride" from Apec's liberwhat Apec delivered.

increase volume of exchanges Bureaucratic budgets and global flight plans will be strained by the volume of meetings and exchanges the world will witopen its markets. On Friday ness over the next couple of Mr Ryutaro Hashimoto, years, after European and

up on their first-ever meeting But the Commission would in Bangkok. Senior trade officials will have to obtain the support of meet in Brussels in July to premember states for such a step and Sir Leon's response was pare for December's World Trade Organisation (WTO) ministerial meeting in Singapore. Foreign ministers will meet in February 1997 to plan for the next Asia-Europe sum-

Asian leaders announced a

long list of measures to follow

mit in the UK in 1998. Economic ministers will meet in Japan, also in 1997. A government/private sector working group will meet in Thailand to draw up an "action plan" to foster greater flows of investment and trade between the two regions.

An Asia-Europe Business Forum will meet in France, to Thus the leaders claim that the meeting achieved what it set out to do: increase the links between Europe and Asia in a way that marks a recognition by the former of the latter's growing importance, not only

economically but also strategi-cally and politically in the post cold war world. Yet although the summit marked the start of a closer relationship, it did not set any specific goals. The leaders shied away from institutionalising their new links and from setting any benchmarks for chancellor, Mr Helmut Kohl,

Europe and Asia have agreed to build a historic "trans-Asian" railroad running from Seoul through North Korea, China and Singapore, AFP reports from Seoul.

Europe and Asia in accord to

border, Mr Kim said, adding that South Korea had already secured an understanding with China, Vietnam and Singapore. "North Korea has yet to agree on this project, but I believe that's a matter of time," Mr Kim was quoted as saying. Joint construction of the proposed railroad would start "at an early date", along with the development of Mekong river areas, he

During the recent inaugural summit of Asian and European countries in Bangkok, Mr Kim suggested that Asia and Europe build an information superhighway and transportation network linking the two continents.

said the next summit should not engage in nitty-gritty negotiations, but "examine the achievements of the follow

Asian leaders appeared quite comfortable with this vague outcome. Thai prime minister Mr Banharn Silpa-archa said both the Asia Pacific Economic Co-operation (Apec) forum and the Association of Southeast Asian Nations (Asean) began in a similarly unstructured way and "came to fruition over

a period of time". But the cordiality of the summit did not mask the wide differences that exist between Asia and Europe even on items where co-operation is supposed to be mutually beneficial.

The European idea of a multilateral code on foreign investment ran up against fierce opposition from many Asian countries, particularly Indonesia, which are resolutely defending privileges accorded to domestic companies with political connections.

Similarly, Asian calls for special European tariff cuts and a collaboration, they said, but

procedures - as a reward for giving European businesses access to our low-cost labour' in the words of Malaysian prime minister Dr Mahathir Mohamad – were all but

Europe does not want to open its markets immediately but to discuss trade liberalisation in the WTO this December, said Mr Jacques Chirac, the French president.
On the political and security side, "there did not seem to be so much interest in the Taiwan increase to the Canada

issue, Korea, or the Spratly Islands," said a senior Asian official. And even on seemingly trivial issues such as expanding the membership of the meeting to India, Pakistan. there was a wide disagreement. Several Asian officials said that, though the Commission was enthusiastic about the meeting, the European leaders seemed badly prepared. Mr Kohl and Mr Chirac left Bangkok enthusiastic about further

John Major, kept a disappointingly low profile, partly because of his preoccupations with Northern Ireland.

For several European leaders, a main challenge of Bangkok was how to handle the issue of human rights.

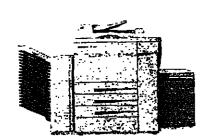
hev had to satisfy demands from home that human rights should be raised, without sparking a row which would undermine the summit. Having apparently succeeded, they then praised their achieve ments in the cultural arena.

Both Mr Kohl and Mr Chirac went out of their way to congratulate Singapore's initia tive, backed up with a \$1m donation, to set up an Asia-Europe Foundation to promote academic and cultural links. An Asia-Europe University Programme will also be started, while studies on "economic synergy" will be carried out and youth exchange pro-grammes promoted. And Thai-land will be home to a new

Asia-Europe Environmental Technology Centre. To live up to their leaders' glowing rhetoric at the end of the meeting, Asia and Europe have to deliver tangible benefits on trade, investment and security through a process that mal and spontaneous. How far they will succeed remains as uncertain as before the leaders congregated in Bangkok.

> Ted Bardacke and Peter Montagnon

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SHARP



Ted Bardacke in Bangkok

Europe will give "serious and tion with market opening mea-

His remarks are the first public hint from an EU official

human rights'

Japan's prime minister, called

on Europe to take concrete

'We were on the

trade, while they

defensive on

were on the

defensive on

to the Apec challenge. Europe had also accelerated the tariff cuts to which it is committed under its Uruguay Round agreement and was considering an agreement on information technology with the US which would operate on a multilateral, non-discriminatory basis, he added. The pro-cess has to be balanced and it would be "a spurious balance"

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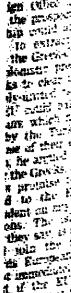
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Marie Sanda Sanda







Deutsche Telekom, France Telecom and U.S. company Sprint have now joined forces to create a unique new global communications alliance. For customers who need to operate right around the world, the result will be tailor-made performance of the highest possible quality, on a truly global basis.

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In the words of the U.S.A.'s Forrester Research Institute: "Together, Deutsche Telekom, France Telecom and Sprint form what is probably the strongest alliance in the world." They go on to highlight our common vision, compatible products, virtually complete international coverage and vast combined experience in network technology.

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Deutsche Telekom – you couldn't be in better company for the future. Deutsche Telekom is Europe's No. 1 telecommunications company – and the second largest network operator in the world. In Germany, we have the largest ISDN network, the densest fibre optics network and the most extensive broadband cable network: and all three are accessible on the world's most sophisticated Infobahn.

Add the resources of our new worldwide consortium and you have an international communications capability which cannot fail to benefit your business.

Our connections move the world.



Julian Ozanne assesses hopes of dialogue to advance peace

our Islamic attacks against Israelis in the past eight days have established that the extremist Hamas Islamic group has the power to determine the fate of the Arab-Israeli peace process and the political futures of Mr Shimon Peres, Israeli prime minister, and Mr Yassir Arafat,

Palestinian president.
The attacks have left at least 45 people dead, have undermined Mr Arafat's credibility and have dealt a blow to the electoral chances of Mr Peres, who has called early Israeli elections on a platform of mak-

The attacks have proved that Hamas remains a serious political and military power which, if ignored, could still torpedo the fragile peace gains of the last two and a half years.

Less clear are the immediate political objectives of Hamas, a movement in the throes of a divisive internal debate over whether to drop its armed struggle against Israel in favour of political accommodation with Mr Arafat. The divisions pit Islamic fanatics against moderates and political pragmatists, and those living inside the Palestinian selfruled areas against the external leaders in Jordan. Syria and the US.

All Hamas leaders oppose the peace process on principle and believe it will never deliver the Islamic state Hamas wants in most of the land of "Palestine". But Hamas moderates inside the territories believe that to continue the armed struggle, when most Palestinians support the peace process, would be political sui-

Although the moderates believe the peace accords will ultimately fail to deliver Palestinian rights, they think the movement must forge a short-term accommodation rather than risk open confrontation with Mr Arafat. Such a move would preserve their extensive social welfare and religious network, and enable them strengthen their position.

The divisions inside Hamas are complicated because the



leadership and a strict organisational division between the political and military wings. It is often uncertain whether the political wing is driving the military wing or vice versa. Also, last week, after the Izz

a-deen al-Qassam brigades, the Hamas military arm, had denied responsibility for last week's attacks, it became apparent that the military wing itself is split. Recent attacks have been carried out by more extremist military cells in the West Bank named after the late Yayha Ayyash, a Hamas bombmaker believed to have been killed by Israel in

Hamas leaders in Gaza yesterday tried to portray the recent bombings as a series of revenge attacks by Hamas guerrillas for the death of Ayyash and as a warning to Israel to cease hunting down Hamas militants. The political wing also said it was against the slaughter of innocent Israeli civilians and denied it had played a role in the decisions behind the attacks. It blamed Israel for refusing to

week in return for release of Hamas prisoners and an end to Israeli attacks on its activists.

But analysts call this a smokescreen and say the attacks are a much more important message, to Mr Peres and Mr Araiat, that Hamas, backed by up to 20 per cent of Palestinians, must be taken into a political dialogue. "Hamas is sending a message to Israel that our blood is not

cheap and Israel must think

seriously about involving Hamas in a political dialogue, said Mr Imad Faluji, a former Hamas leader and an elected member of the Palestinian parthe hands of Hamas and, if Israel wants to see real peace and security, [it] must try to meet all the rights of the Palestinian people. Otherwise, the peace process will fail and we will return to the terror circle." Mr Faluji, who acts as a bridge between Mr Arafat and Hamas, said the latter was clearly aware of the political impact the attacks have on the

electoral chances of Mr Peres

and was deeply concerned

coming to power in Israel on an anti-peace ticket.

Both Mr Faluji and Sheikh Abu Musamah, editor of the banned Hamas newspaper Al Watan, confirmed the movement was in a "self-evaluation." The editor said the political wing had been close to a political agreement with Mr Arafat when Israel killed Ayyash. But, until there was such an agreement, said Mr Faluji, Hamas military cells were free to carry out any action they thought necessary. Once a political accommodation was struck, the political wing would be able to enforce it on the military wing.

Efforts to reach accommodation with Hamas are now in question. Israel refuses Hamas offers of dialogue, saying it will not negotiate with terrorists and that it is up to Mr Arafat to deliver his side of the peace deal and guarantee Israeli security. But it is by no means certain that the option of continuing to press Mr Arafat to crack down harder on Hamas will bear finit, and Mr Arafat is mindful of the potential for respond positively to the about the possibility of the major internal conflict such a with secret cells, decentralised Hamas ceasefire offer last right-wing Likud opposition crackdown could provoke.

Withdrawal of four candidates may frustrate business-minded

# Iran election setback for moderates

recently in Tehran

**NEWS: INTERNATIONAL** 

The chances of moderate rightwing groups gaining a majority in elections on Friday to Iran's Majlis, or national parliament, suffered a setback yesterday with the withdrawal of four members formerly on the list of the Freedom Move-

ment of Iran.
The four had been allowed to contest the elections as individuals, rather than under the FMI umbrella.

Political commentators in Tehran said that the decision of the FMI candidates withdraw would deprive many middle-class voters of an iden-tifiable "business-minded" group for which to vote.

The four ostensibly withdrew their nominations to protest against the refusal of the interior ministry to allow them to hold public meetings at Tebran university and in

the capital's suburbs.
The departure of the FMI grouping from the political arena coincides with shifting personal alliances within other big rightwing and technocratic groups, with several individuals appearing on the lists of more than one competing faction.
"Providing enough people

vote," said one commentator. there is a good chance that growing public enthusiasm for more secular and less clerical government will be reflected in the new Majlis.

clerical president to succeed the incumbent, President

A total 3,232 individuals from more than a dozen groups - political parties as such are banned under Iran's Islamic constitution - is contesting 270 seats in the new four-year Majlis. The parlia-ment will be the fifth since the revolution of 1979 gave the Shia clergy a stranglehold on the country's political system.

tion, officially put at 54 per cent last year, and general economic mismanagement has eroded the clergy's overt authority.

But most groups which have passed the regime's stringent official vetting procedures, have retained an Islamic "label".

ditional conservatives in the JRM (Jame e-Ruhaniyat-e-Mobarez or Assembly of Combatant Clergy), which holds a majority of 150-160 members in the outgoing Majlis; candidates under the G-16 label of more modern-minded technocrats, all of whose sympathisers have had government experience; and a large number of independent factions represented by provin-cial businessmen and academics who are well known in their own communities.

The main left-wing group, the MRM, is boycotting the

# Moroccan king plans reference plans reforms

FINANCIAL TIMES MONDAY MARCH 4 1996

King Hassan of Morocco said yesterday he would set out a wide-ranging programme of constitutional reform in the second half of this year – including changes in the country's

Under the present constitution, a third of the 333 parliamentary deputies are picked by an electoral college, a system which the opposition says does not ensure proper representation. The opposition argues that the system of indirect elections works in favour of the centre-right parties now in government.

King Hassan said he would put forward the changes after the second session of parliament, which ends in June or July. The changes would include setting up a bicameral parliament He indicated that the political changes being proposed were part of comprehensive reforms that involved looking at administration, the economy and education. The king, 66, also assured Moroccans he was physically fit after a recent

Shift in Venezuelan Congress

The Venezuelan government of President Rafael Caldera has lost its control of congress to a new alliance of opposition parties. The two-year-old coalition of the Democratic Action parties. The two-year office convergence was ousted from party and the government party Convergence was ousted from the presidencies of the upper and lower chambers by the socialist MAS party and the centre-right Copel party.

The shift could complicate Mr Caldera's efforts to pull the country out of a deep economic crisis and to reach a stand-by

agreement with the International Monetary Fund.

Late last week, the government postponed talks with the IMF because of "an unclear situation in Congress." Several tax and deficit reduction bills proposed by the government depend on congressional approval and are deemed necessary to reach an agreement with the IMF. Raymond Collit, Caracas

#### South African trial to start

The trial of South African former defence minister Magnus Malan, and of other high-ranking military and intelligence officers accused of organising death squads, is to begin today

Mr Malan, 66, and 19 others, including members of the old military intelligence, chiefs of divisions of the white-led army and the deputy secretary general of the Zulu-based Inkatha Freedom Party, face a lengthy Supreme Court trial.

They are the most prominent South Africans to face trial for alleged crimes of the country's apartheid era since the first elections for all races brought black majority rule to South Africa in April 1994.

The trial will hinge on the massacre of 13 people, mostly women and children, in the Zulu heartland of KwaZulu-Natal

## **CONTRACTS & TENDERS**

Syrian Arab Republic Ministry of Electricity Public Establishment of Electricity For Generation and Transmission Contract Department

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#### EXTERNAL CALL FOR TENDERS No. 30/96

The public establishment of Electricity for Generation and Transmission (PEEGT). intends to execute a thermal power station project consisting of three units, the capacity of each 200 MW ±10% at Al-Zara site.

This project is financed by the Overseas Economic Cooperation Fund (OECF) of Japan, towards the foreign currency portion.

PEEGT invites herewith the experienced firms to bid for:

- the design, manufacture, delivery, transport, insurance, testing, executing the civil works, erection and putting into operation of this project on turn-key basis, including the delivery of spare parts, tools and training of PEEGT's personnel. In accordance with the conditions specified in the file of external call for tenders No. 30/96 those interested can obtain a copy of tender documents from PEEGT- contracts department- between 11-12.30, during the official business hours and against payment of SYP (129000) for Syrian tenderers, or U.S.D. (3000) for foreigners and Arabs non Syrians.
- Location: Al-Zara, 25 km to the north of Homs City.
- Bid bond: USD (1,500,000), only one and half million US Dollars.
- Performance Bond: 5% of the total value of every currency given in the awarding of the contract.
- **Execution Periods:**
- 1. Section One: (27) months
- 2. Section Two: (29) months
- 3. Section Three: (31) months

Starting from the date of effecting the advance payment and opening the letter of credit whichever of the dates is the latter.

Penalty of delay:

In case of delay of executing any section of the project, a penalty of delay as specified in the Administrative, juridical and financial book will be applied, taking into consideration that the ceiling of penalty of delay shall not exceed 20% (twenty percent) of the total value of the contract.

PEEGT will grant to the awarded tenderer an advance payment equal to (10%) of the total value of the contract against automitting a boul. I would

# Record global sales of drugs

Daniel Green finds rapid US growth leading pharmaceutical surge

record levels in 1995, led by rapid growth in the US, according to figures published today. Sales of prescription drugs at retail pharmacies in the top 10 markets grew by an average of per cent, excluding currency effects, to \$139bn.

That compares with sales growth of 5 per cent in the previous year and to 1 per cent in 1993, according to IMS, the specialist drugs industry market researchers

The US market was the fastest growing in the top five countries, with sales up 10 per cent to \$54.7bn. The UK was the second fast-

est growing, with sales having risen 9 per cent to \$6.25bn. The UK remains, however, a smaller market than that of Germany, France or Italy. German sales grew 7 per

cent to \$16.5bn, French sales rose 6 per cent to \$15.1bn. In Italy, where the government has introduced a series of measures to restrict spending on medicines, drug sales increased per cent to \$7.66bn.

Japan was the third fastest growing country, recovering from price controls imposed in 1994, with sales up 8 per cent to \$26.4bn.

Among the smaller markets. there was high growth in Spain largely due to a recovery

**LEGAL NOTICES** 

INVESTMENT FUND LIMITED (In Voluntary Liquidation)

ANNOUNCEMENT

he above named company, duly convened and held on Monday 19. February 1996, the following Resolutions were duly adopted: AS A SPECIAL RESOLUTION THAT

he company be placed into voluntari

lipolation forthwith:

AS AN ORDINARY RESOLUTION
THAT James Cleaver of Error & Young,
90 Bos 510, One Capital Place, George
Town, Cayman Intends, British was
Jodies be appointed as the voluntary

Town, Cayman talands, antitan weak todates be apposited as the voluntary begudeter of the Company.

2. THAT the creditor's of the Company are required an or inforce April 90, 1996 to send in their names and addresses and full proteotiers of their debts or claims to the Liquidator, in default thereof creatures will be evaluated from the benefit of any distribution made before such debts are proved. In the first unstance claims should be some by fax to David Fairclough, Ernst & Young, Cayman Islands I fax no. 1840-594-6529, but a oreditor may be required either to salvent the original claim or aga a formel groof of debt in standary form.

3. THAT persuant to Section 144. of the Company will be held on April 10th, 1906 at 10-00 am, at the offices of Ernst & Young, One Caystat place. Shelden Road, George Town, Grand Cayman, Cayman Islands for the purpose of reversing from the Luquidator as account of the winding up of the Company and any explanation thereof. Coyfor of the Liquidators a Recount of the

(Incorporated with lumined hability and vegs under the laws of the Caymon Islands). NOTICE IS HEREBY GIVEN-I, THAY of an Extraordistry General Meet

World drugs sales grew to from state-imposed price control measures and sales were up 11 per cent to \$4.77bn.

The picture, when measured by medical area, shows the fastest growth in four areas, thanks largely to the introduction of new products.

Sales of anti-infective products, including antibiotics and anti-virus drugs such as treat-

to \$2.02bn. France has among the lowest drugs prices in Europe, but this is counterbalanced by doctors' habit of heavy drug prescribing and a health care system that allows patients to visit more than one

Respiratory drugs, mostly for treating the fast growing condition asthma, rose by the

single medical category. Sales of blood agents, including the relatively new category of cholesterol-lowering drugs, rose 13 per cent to \$7.86bn. In most other countries, the biggest categories remain heart 🚛 drugs and digestive system drugs such as Zantac, the ulcer

drug made by the UK's Glaxo

Wellcome, which is still the

orld pharmacy drug purchases January-December 1995 in US dollars (m)												
	N. America	Jepan*	Sermany	France	italy	崃	Spain I	lotrerlands	Belghan			
ardiovascular	9,091	4,071	3,824	3,551	1,639	1,036	940	377	393			
Imentary/Metabolism	9,428	4,800	2,820	2,348	1,296	1,249	785	465	301			
entral nervous system	10,258	1,292	1,813	1,813	803	887	590	249	322			
nti-infectives	5,531	3,511	1,190	1,190	1,007	464	608	127	243			
espiratory	6,320	2,325	1,756	1,756	549	956	484	293	198			
ood agents	2,790	2,451	674	915	446	118	278	105	84			
usculo-skeletal	2,335	2.511	845	718	455	378	245	86	103			
thers	12,513	5,381	3,593	2,825	1.460	1.158	837	369	344			
rtal	58,266	26,442	16,515	15,116	7,655	6.246	4,767	2.071	1,988			
Change**	10	. 8	7	6	4	9	11	5	8			

ments for Aids and herpes, rose 13 per cent in 1995 to

Source: IMS International

The drug categories highlight cultural difference between countries. Antiinfective sales in the UK, where doctors are conservative about prescribing, grew 11 per cent to \$464m. In France, which has a population of similar size, sales grew 15 per cent

same proportion to \$14.2bn. During 1995, there was spectacular growth in sales of nervous system drugs, which include anti-depressants such as Prozac, made by Eli Lilly of

Sales in this category

rose 12 per cent to \$18bn. In the US, nervous system drug sales grew 14 per cent to \$9.69bn, making it the biggest

the US.

world's biggest selling medi-

"Non-hospital market only "Increase excluding currencles

But both these categories are growing much more slowly than most others, thanks to increasing competition as patents expire.

Digestive system drugs sales grew 6 per cent to \$23.6bn, and heart drug sales rose 4 per cent

#### **PUBLIC NOTICES**

NOTICE OF APPLICATION FOR VARIATION OF APPOINTMENT

NORTHUMBRIAN WATER LIMITED PURSUANT TO SECTION 8(2) OF THE WATER INDUSTRY ACT 1991

> NORTHUMBRIAN WATER LIMITED Registered in England with Registered Number: 02366703

This notice is issued in accordance with Section 8(2) of the Water Industry Act 1991. Application has been made to the Director General of Water Services for the variation of appointment of Northumbrian Water Limited ("Northumbrian") to extend the areas to which that appointment relates to cover the areas presently served by North East Water pic ("NEW"). If the variation applied for is granted Northumbrian will, upon the variation coming in to force, become the water undertaker for the areas presently served by Northumbrian and NEW and NEW's appointment as a water undertaker shall cease

The application for the variation of Northumbrian's appointment is in accordance with an agreement between Lyonnaise Europe pic (now the holding company of both NEW and Northumbrian) and the Secretary of State for Trade and industry that, following the successful offer by Lyonnaise Europe pic for the shares in Northumbrian Water Group pic (which owns Northumbrian Water Limited), there should be a merger of the operations of NEW and Northumbrian and that these operations should be carried on under a single licence. The merger of these operations is considered to be in the best interests of customers. The Board of NEW and the Board of Northumbrian have both approved the making of the application for variation of appointment.

Subject to the variation of appointment becoming effective, the property, rights and liabilities of NEW will be transferred to Northumbrian by way of a transfer scheme in accordance with Schedule 2 of the Water Industry Act 1991. The transfer scheme (which is subject to the approval of the Director General of Water Services) will take effect on the same day that the variation of appointONDAY MARCHINA FE

SEE TO THE THE THE THE

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**APPOINTMENT** 

# Dole re-takes lead in nomination race

By Jurek Martin in Savannah, Georgia

For the first time in weeks, Senator Bob Dole is smiling like a front-runner.

A convincing victory in the South Carolina presidential primary on Saturday re-established the Senate majority leader as the favourite for the Republican party's nomination, going into the thick of the primary season and due to start tomorrow here in neighbouring Georgia and in seven

Mr Dole won with 45 per cent of the Republican vote, followed by Mr Pat Buchanan, the conservative pundit, with 29 per cent, Mr Steve Forbes, the millionaire publisher, on 12 per cent and Mr Lamar Alexan-der, former governor of Tennessee, with 11 per cent.

By carrying the state and its six congressional districts, Mr Dole won all 37 convention delegates and thus vaulted back into the lead in the race for the 996 needed for nomination. He now has 77, ahead of Mr Forbes's 60, Mr Buchanan's 37 and Mr Alexander's 10.

South Carolina probably spelled the beginning of the end for Mr Alexander. A comparable finish in Georgia, where the latest poll in the Atlanta Constitution newspaper puts him a poor third with only 16 per cent, would conclusively disprove his southern regional appeal and leave him without the funding to continue for much longer. But neither Mr Buchanan

nor Mr Forbes is likely to fold his tents. The publisher, who at least matched his modest expectations in South Carolina and has money to burn, can now look forward to what seems more favourable territory, especially in Colorado and five New England states tomorrow, followed on Thursday by New York, where a judge has ordered that his

name appear on all ballots. Mr Buchanan will also continue his crusade all the way to the convention, unless he breaks off in the direction of a third party. But his problem is The long string of endorse-

that he appears unable to exceed the 30 per cent barrier that represents his core rightwing and populist support in

the party. In South Carolina, in spite of strength among religious conservatives, he barely improved on the 26 per cent he took in the 1992 primary against President George Bush. Anything less than the 36 per cent he won four years ago in Georgia would be construed as underlining this minority standing. Still, Mr Buchanan claimed



Dole: 77 delegates bagged

while it was clear President Bill Clinton would beat Mr Dole in November, the White House was nothing like as "confident" about taking him on. In accusing the majority leader of waging "a shabby campaign", Mr Buchanan gave no hint of second thoughts about continuing.

Mr Dole's victory was attributable to hard work on his behalf by Mr Carroll Campbell, a respected former governor, and Mr David Beasley, his successor and the incumbent. Both argued vehemently that Mr Buchanan's protectionism was a dagger at the heart of South Carolina's new-found prosperity, much of it derived from foreign trade and invest-

ments Mr Dole has nationwide should also prove an asset as the primary season moves beyond the single-state politics of its opening to the multi-state campaigning of the next, vital three weeks.

Tomorrow has already acquired the nickname Junior Tuesday. A week later is to come Super Tuesday, with 12 scattered states voting, including Texas and Florida, the secand fourth largest in the US. March 19 will be the date for four big mid-western states and, on March 26, California is to lead the western parade. By the end of this month, nearly 70 per cent of all convention delegates will have been

selected. As R.W. Apple noted in the New York Times: "With time so short, surrogates will have to do much of the stumping and better-known surrogates generally get a better hearing." The organisations at their command, he went on, can also help get out the vote, possibly 'decisive in a small turn-out".

On the other hand, Mr Dole does have some money problems. As a recipient of federal matching funds, he is limited to spending no more than \$37m (£24m) on the primaries. He bas already disbursed about three quarters of that sum.

The self-financed Mr Forbes has no such constraints, although the \$25m or so he has spent so far may come to resemble small change once the expensive media markets of California and New York take hold. But, if he continues to be competitive, he may well dig more deeply into his own pockets, immune to any appeals by the Republican establishment that he with-

Last night, Mr Dole felt con-fident enough to stay in New England and leave the debating stage in Atlanta, Georgia, to Mr Buchanan, Mr Forbes and Mr Alexander. The senator's state campaign manager explained: "These debates are not a pretty sight any more." But the majority leader looked good enough in the South Carolina beauty contest.

## US push for free trade in **Americas**

By Angus Foster in São Paulo

Mr Warren Christopher, US secretary of state, on his first visit to South America since taking office, has welcomed the region's moves towards democracy and economic reform, and has called for greater efforts towards planning the Free Trade Area of the Americas, due to be in force from 2005.

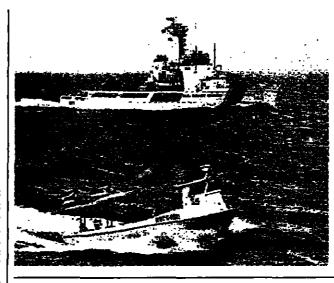
The secretary, who last week visited Chile and Argentina, said Brazil and the US had the opportunity to form a "strategic partnership" to drive the region forward because of their size and the importance of their economies.

In a speech to businessmen in São Paulo, Mr Christopher said momentum must be sustained towards negotiating the FTAA, which some critics say has made little progress since it was launched at the Summit of the Americas in late-1994. He said the US supported a second summit, in late-1997 or early-1998.

Separately, Mr Thomas McLarty, special adviser to President Bill Clinton and travelling with Mr Christooher, said President Fernando Henrique Cardoso of Brazil was "receptive" to the idea of a second summit, although the two sides had not discussed details of its exact timing or location.

Mr Christopher said Mercosur, the customs union of Brazil and three other South American countries, was a valid but "transitional" building block towards economic integration in the region. For the FTAA to come into force, he said, all countries must move forward with genuine negotiations including such new areas government procurement, services and intelectual property rights.

Brazil is a signatory to the FTAA, but the country's trade with Europe is as important as its trade with the US. Brazil also does not want the FTAA to be a US-dominated extension of the North American Free Trade Agreement.



## Cuban exiles curtail memorial sea trip

Cuban exiles cut short a weekend memorial service at sea for four comrades killed by Cuban fighter aircraft last month, AP

reports from Key West. Escorted by 11 US Coast Guard cutters, a flotilla of 35 boats left Key West early on Saturday and lurched into waves whipped up by high winds across the Florida Straits. (A cutter and a flotilla boat are pictured left.)

By early afternoon, 21 boats had turned back. The rough seas prevented the 14 remaining vessels from reaching the spot 34km north-west of Havana where the exiles' two aircraft were believed to have crashed after they were shot down by Cuban MiG jets on February 24,

Flotilla leaders had promised to stay well outside the 20km limit of Cuban territorial waters. The planned memorial service was held 70km south of Key West. Exiles dropped flowers and wreaths into the sea, then headed back to Florida.

# Mean lawman's intent to save

#### Christopher Parkes visits a cost-cutting sheriff in Phoenix, Arizona

heriff Joe Arpaio from Arizona, who calls himself the meanest lawman in the west, is planning to embellish his old-style jail regime with the modern-day principle of equal rights for women prisoners. Privileges will include accommodation in the city of Phoenix's notorious tent prison and, if they insist,

work on the chain-gang. "I don't believe in discrimination in my jails," he says. Despite the chain gang's reputation, it has proven relatively popular among today's male convicts, who are allowed to choose, when they break rules, 30 days working linked man-toman and foot-to-foot or close

confinement in "lock-down". Tent City, as the canvas iail reserved for convicted felons is known locally, will be opened for women on April 1. The sheriff has not yet decided whether they should be offered equal chain gang rights but: "There could be a problem if the women want to go on the chain gang."

The camp - between a dog pound, a town dump and a waste disposal plant – and sightings of the gangs cleaning streets are the most visible manifestations of the former federal drugs enforcer's fundamentalist strategies at work in cash-strapped Maricopa County, central Arizona.

These have attracted international study by criminologists, civilian volunteers enough for a 2,500-head posse, funds - and attacks by more conventional elected officials dismayed by prison life less comfortable. He

polls which show Sheriff Arpaio as the most popular politician in Arizona's history. The 1 000-inmate canvas jail. built of tents from the military, was opened in 1993 where stepping outdoors in summer is advisable "only if you have eight legs and a big hat," said one local.

It was one of Sheriff Arpaio's earliest responses to the bud-get squeeze. By his estimates, the encampment - lately adorned with a neon Vacancy sign on the watch-tower - cost \$80,000 compared with up to \$200m for a conventional build-

Other penny-savers include the introduction of boloney sandwich lunches, which save \$350,000 a year on hot meals. and removal of coffee from the menu (\$100,000). "Why should they have coffee? It doesn't have any calorific value." he says. The same cannot be said for the container-load of surplus batter-coated hot dogs bought lately for the prison pantry.

The search for economies has been given extra impetus by decisions such as the most recent \$10m slice off the sheriff's departmental budget, which forced him to reduce his corps of prison guards by 200.

But the difficulties of working on a shoe-string appear to he compensated at least in part by the warm glow Sheriff Arpaio feels from the knowledge that every cent less in his department's bank account is one more reason for making tells how, on his visits to jail, prisoners used to salute him with "the finger". Nowadays, "they're using two hands, which is great, because I'm known as the meanest sheriff in America and I like that title." he said recently.

"I want to make it so tough that nobody wants to go to jail," he declared. Dedication to his goal of reducing recidivism from 70 per cent to 60 per cent by making imprisonment as unpleasant as possible recently led to his spending a night in Tent City. "There I was in their hotel room lying awake for eight hours listening to them threatening to kill me, my wife and the newspaper reporter with me," he says with detectable satisfaction.

ヾritics charge that some of the more petty depri-✓ vations and humiliations imposed on convicted and remand prisoners alike - such as the ban on smoking and on pornographic magazines, and a prescribed television diet of tapes of Speaker Newt Gingrich enriched with cable access to the Cartoon Network and The Weather Channel - raise tension unnecessarily.

However, there were few complaints about a recent fund-raiser which sprang from the discovery that hardwearing prison underwear was being smuggled out of county jails and sold as fashion gear on the open market. All inmates' underpants were promptly dyed pink.

A special batch in delicate

rose, emblazoned with the inspirational phrase "Go Joe", was sold to raise more than \$200,000 for the sheriff's contingency fund.

This, in turn, has been recycled into yet another scheme which, opponents claim, is the most likely yet to lead to the sheriff's downfall. Riding on the success of his resurrection of the civilian posse, and its deployment in pursuit of prostitutes, graffiti artists and pickpockets. Mr Arpaio has now ordered his deputies to dog Phoenix drug pediars.

Despite warnings from politicians and local police officials, a volunteer corps of 800 has been trained in staffing telephone hot lines, surveillance, house searches, serving arrest warrants and the use of arms.

In the 10 days since the posses were sent out, they have picked up 20 suspects a day on average, several pounds of marijuana, several grammes of cocaine and methamphetamine, and a small armoury of

None of the posses has yet encountered any violence; none has yet blundered into a large deal involving armed-tothe-teeth heavyweights or undercover police.

The sheriff's opponents insist it is only a matter of time before they do - just as it is only a matter of time before the two armed guards in charge of Tent City find themselves, one summer's day, in 120-degree heat, confronting 1,000 angry inmates demanding a cup of coffee.

OBSERVING THE BREATHTAKING BEAUTY WILLIAM WASHIEL OF THE BRIDGE ACROSS SAN FRANCISCO HARBOUR TODAY, IT'S HARD TO IMAGINE THE OWITAWAY FEAR AND LOATHING CAUSED BY PROPOSALS FOR ITS CONSTRUCTION. THE SIMPLE REASON WAS THAT, BECAUSE NOTHING QUITE LIKE IT HAD EVER BEEN ATTEMPTED BEFORE, IT WAS FAR BEYOND PEOPLE'S IMAGINATION. PROPOSALS IN THE LATE 60s FOR AN AERONAUTICAL VENTURE SPANNING GERMANY, FRANCE, THE UK AND SPAIN MET A SIMILAR REACTION. YET, ONLY 25 YEARS LATER, IT'S NOW POSSIBLE TO STAND BACK AND MARVEL AT THE EXCEPTIONAL PROGRESS AND ACHIEVEMENTS OF AIRBUS INDUSTRIE. THE COMPANY WHICH STARTED FROM NOTHING NOW SUPPLIES 80% OF THE WORLD'S LEADING THE FOUR EUROPEAN PARTNERS HAS BECOME A MODEL FOR ALL SIMILAR VENTURES.

AIRLINES WITH A PAMILY OF STATE-OF-THE-ART CIVIL AIRLINERS. THIS INCLUDES THE

WHICH GOES TO PROVE WHAT EXTRAORDINARY THINGS CAN BE ACHIEVED WHEN

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SAIRBUS INDUSTRIE SETTING THE STANDARDS

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# Patten ponders return to Commons

in Hong Kong

Mr Chris Patten, the British governor of Hong Kong, sig-nalled yesterday that he was stream British politics after overseeing the handover of the colony to Chinese sovereignty

Mr Patten was appointed governor after losing his seat in the British House of Commons in the 1992 general election when he was chairman of the governing Conservative party. He has for some time been seen by more moderate Conservatives as their choice to succeed Mr John Major if they lose the next election, which is due by May next year. Speaking at Government House in Hong Kong while hosting a visit to the colony by Mr Major, Mr Patten made clear that he would not quit his current job until the transfer date of June 30 next year. Asked if he could see a return to the Commons after that, Mr Patten replied: "Yes, certainly. I am not ruling any-

By Charles Batchelor,

Transport Correspondent

British Telecommunications

and Nestle, the Swiss foods

group, have teamed up with

managers of the East Coast

InterCity main rail line in their

bid for a franchise to run ser-

vices between London, the

north-east of England and Scot-

The management has signed

up Mr Marco Pierre White -

the chef who runs a restaurant

Final bids were submitted on

Friday for the second set of rail

franchises to be offered, com-

prising Midland Main Line and

Gatwick Express, as well as East Coast InterCity. Bids for a

fourth franchise, Network

SouthCentral, are due in by

The other bidders for East

Coast InterCity are understood

to be Stagecoach, the UK bus

group; the National Express

at London's Hyde Park Hotel -

to advise on catering.

March 11.



Go west, young man: John Major (right) and Chris Patten in Hong Kong vesterday

anything out." He said he did not want to speculate on the result of the British election. "But I remain interested in issues at the centre of the debate in Britain and in Europe. How could I not be? I've been professionally involved in politics since I was Bath left a gap in the centre-

Railtrack, the company res-

ponsible for railway safety, is

preventing the introduction of

new trains on Britain's rail

network because of the com-

plexity of its approval system.

said Mr Roger Salmon, the rail

franchising director. Pive

types of new train are in stor-

age because they are waiting for clearance from Railtrack

while older rolling stock,

which would not meet today's

higher safety standards, con-

tinues in use, rail experts said.

long-distance bus company:

and Sea Containers, the ship-

Sea Containers is bidding for

a 12-year franchise and plans

to improve the quality of cus-

tomer service. It has been

looking at the introduction of

tilting trains, enabling faster journey times without costly

track work, but is believed to

have shelved this idea. The

"No substantial amounts of

21 years old." Speculation has surrounded the future of Mr Patten, who was credited with masterminding the Conservative victory at the last general election against the odds. His own defeat in his constituency in the west of England city of

new rolling stock will be

ordered for the UK until man-

ufacturers and financiers are

given certainty about the sys-

tem for obtaining safety

approval," Mr Salmon told the

Institution of Mechanical

know that new train designs

would meet the latest safety

standards but at present the

system was one of "build it

first and then – in our own

management team plans joint ventures with BT, Nestle and

Shepherd Design & Build – a

York-based construction com-

pany - if its offer is successful.

These companies would not.

however, be equity partners in

Equity partners in the bid are 3i, the largest UK develop-

ment capital company, and Compagnie Générale d'Entre-

the bid.

think it is safe," he said.

- we will tell you if we

Manufacturers needed to

Engineers' annual lunch.

left of the party that no poten-tial candidate has yet filled. By contrast, several senior figures on the right have staked robust claims to take over after the election, including Mr Michael Portillo, defence secretary, and Mr John

prise Automobiles, the trans-

port subsidiary of Compagnie Générale des Eaux, the French

In a separate development

Mr Roger Salmon, franchising

director, said that 19 organisa-

tions had registered an interest

in bidding for two more fran-

chises, South Wales & West

and Cardiff Railway. Most were

keen to bid for both franchises.

Applications had come from

big companies in Britain and

elsewhere and from manage-

Tarmac Construction has

bought the Central Track Renewal Company, the third of

the national network's infra-

nies to be sold. Central, which

is based in Birmingham, has

annual turnover of £40m

(\$61m). The value of the deal

Central is the first of the 13

infrastructure companies

which have been put up for

sale to go to a trade buyer.

was not disclosed.

utility.

ment teams.

the cabinet last year to fight the prime minister for the party leadership.

Last month the executive of

ty's senior backbenchers -decided to rule out a further challenge to Mr Major ahead of the general election. That would, in theory, give the party leadership time to find a comparatively safe seat for Mr Patten immediately after-

Despite his heavy involve-ment in tense negotiations with Beijing over the terms of the transfer of Hong Kong, Mr Patten has given increasing

hints of a readiness to return to the Westminster fray. In one recent speech during a trip to the UK, Mr Patten made a strong call for keeping public sector spending below 40 per cent of gross national product. This was seen as a pitch away from the left of the party to the centre.

He has also let it be known that he has lost enthusiasm for a single European currency, making clear that the foremost priority for the European Union was enlargement.

UK NEWS DIGEST

# N Sea oil output expected to rise by 5% to record

UK oil production is on track to set a record of 2.71m barrels a day this year, says the annual industry review by Wood Mackenzie, the Edinburgh-based energy consul-

The forecast figure represents a 5 per cent increase on last year's average output of 2.58m b/d, which in turn amounted to a 3 per cent increase over 1994.

The upward trend in North Sea production is set to continue for some years, says Wood Mackenzie, with output of as much as 3m b/d towards the end of the decade.

It says "new technology, cost-reduction measures and an attractive and stable fiscal regime" are some of the factors behind the growth in oil output. In addition projects in new areas, such as the UK's latest oil province west of the Shetland Islands, are proving to be "relatively successful."

The growth in UK production is part of a general rise in North Sea output. Total production from Norway, the UK, Denmark and the Netherlands this year is expected to average around 6m b/d, a 9 per cent

The Norwegian government will be the largest producer. accounting for about a third of total North Sea production. Statoil, the Norwegian state oil company, will be the second largest North Sea producer this year, followed by British Petro-

The consultants say the expected rise in 1996 production in the UK will be the result of a less extensive offshore maintenance season this year and the start-up of 15 new

Six fields - Douglas, Foinaven, Harding, Lennox, Mag-nus South and Pelican - are due to begin production in the first half of the year. They will have a combined output of 150,000 b/d.

past 18 months, the SFO is thinking of bring-

ing in the consultants to try to boost its image

in the City with a more carefully targeted and

streamlined marketing exercise. The SFO

faced a renewal of had publicity in January with the acquittal of all defendants in the

Maxwell trial. Jimmy Burns and Norma Cohen

Lehman Brothers, the US investment bank,

has been fined £80,000 (\$122,500) by the Securi-

ties and Futures Authority, the UK financial

markets regulator, for poor record-keeping and

internal procedures in its dealings with the

late publishing magnate Robert Maxwell. An

SFA notice is expected to be published today.

detailing the results of the investigation it

launched two years ago into Lehmans' accep-tance of assets from the Maxwell group pen-

sion funds as security for loans to two Max-

well-related companies. The fine is only half

what the SFA demanded from Goldman Sachs

for its dealings with Maxwell, and far smaller

than the £750,000 inflicted by the Investment

Management Regulatory Örganisation on

George Graham, London

Regulator fines Lehman

**Brothers \$122,500** 

#### Row brews over pace of energy reforms

By Robert Corzine in London

Britain's gas and electricity industries are on a collision course over the pace at which competition is being intro-duced into the two energy sec-

There are growing concerns that the regional electricity companies may be able to carve out a share of the gas market, which is being opened up first, while retaining the monopolics of supply in their own sectors. The first test phase of com-

petition in the domestic gas market will begin on April 29 in south-west England, and Sweb, the area's electricity distributor, has already signed up 60,000 British Gas customers.

Both energy markets are due to be fully liberalised by 1998. But regional electricity companies have so far taken few steps to prepare for competition, prompting fears that they "will sit on their hands" and delay liberalisation for as long as possible.

Ms Clare Spottiswoode,

director general of Ofgas, the gas industry regulator, said the situation was "gearing up to become a scandal". Ms Spottiswoode was in Plymouth to launch a publicity campaign for the first test phase of gas competition among half a million households in the south-west. No such tests are planned by the electricity companies. and some analysts believe the industry will miss the 1998 deadline.

- 19 <del>12</del>

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Mr Stephen Littlechild, the electricity regulator and a supporter of liberalisation, has been criticised by some officials for not showing sufficient leadership. Concern about the uneven progress of the government's plans to give millions of consumers a choice of energy suppliers has been reinforced by Sweb's success in the south-west.

Its performance has encour aged officials keen to see British Gas's monopoly broken. But it has also highlighted the potential for the regional electricity companies to use their monopoly power to gain big shares of the gas market.

Government officials say Sweb's 60,000 gas customers nre than thought likely" at this stage of the pilot programme, and place it "way ahead" of British Gas's other

They say Sweb's perforregional electricity companies will have in entering the domestic gas market thanks to their local knowledge and established infrastructure.

British Gas believes the future success of British Gas Energy, the new consumer-oriented supply arm to be created as a result of the planned demerger of the group, will depend on its ability to offer energy packages of gas and electricity. Ms Spottiswoode supports

that view. "The one saving grace for British Gas was to get into electricity," she said. Other new entrants also want to supply both energy sources

# Nestlé joins bid for main rail line

## 'Stop-loss' dispute to end soon

Lloyd's, the insurance market, LLOYD'S is close to resolving a dispute over an important part of its recovery plan. The development comes as Names are this week given first statements on the cost of drawing a line under their Lloyd's affairs. A deal is near on whether "personal stop-loss" insurance policies, taken out by Names to protect against big losses, will help towards the cost of establishing Equitas - a giant reinsurance company that is planned to take over billions of pounds of outstanding US pollution and environment claims. Equitas should allow Names - individuals

whose assets have traditionally supported Lloyd's - to sign a final cheque and quit the market. Lloyd's will on Friday post "indicative statements" on the cost to individual Names of its recovery plan. These will include the Equitas costs and the amounts individuals will receive from a £2.8bn (\$4.3bn) settlement offer to lossmaking and litigating Names. On stoploss, Lloyd's is believed to have persuaded the policies' underwriters to accept a package under which Equitas bills would be covered. Sir Michael Bunbury, chairman of the PSL Policyholders Association, said: "The impression that I get is that they are 'carrot and sticking the PSL underwriters to go along with their proposals." About 24,000 Names have stop-loss policies, but 80 per cent of the cover was underwritten within Lloyd's. Ralph Atkins, Insurance Correspondent

#### Fraud office may hire image consultants

The Serious Fraud Office is considering employing a public relations company to polish its image following a string of high-profile prosecutions which resulted in either acquit-tals or minor sentences. The SFO said it had held preliminary discussions this month with Profile Corporate Communications, a Londonbased company which in the past has represented the charity Crime Concern, the Independent Radio Group, and the National Associ-ation of Pension Funds. Following personnel changes to its information office during the Ban on homosexuals wins support in forces

Invesco over its Maxwell involvement.

Most members of the armed forces believe that ending the ban on homosexuals in the forces would be bad for discipline and morale, said Mr Michael Portillo, defence secretary. A survey about to be published will recommend keeping the present ban, he added. "People are working in a situation of absolute trust," said Mr Portillo on BBC Television, "They need to know that they can trust one another, and this would create such a complication that the armed forces themselves believe that they could not then retain their fighting power, their trust, their morale."

Store owner hits out: A store owner hit a man with a knife who burst into the shop and demanded money from the owner's 16-year-old son. The owner has been told by police that he may face assault charges. The raider ran off to a hospital where he was found to have a fractured skull and a broken arm and ribs. Mr Ken Dunn, the owner of the store near Barnsley in northern England, is a 105 kg former coalminer. He said he had been received many messages of support. "A man threatens my son with a big knife and I am in trouble for having a go at him," he said. "As far as I know the villain still hasn't been charged."

Accountancy Standards board is caught between large power blocks

# Swashbuckler storms the gates

By Jim Kelly, Accountancy Correspondent

Ernst & Young, led by its swashbuckling senior partner Mr Nick Land, has stormed the gates of the Accounting Standards Board. An E&Y

paper attacked the future direction of UK accounting as laid out in the board's draft Statement of Principles recently published for consultation. The firm implied that the board had been hijacked by academic theorists bent on revolutionising UK accounting while a largely apathetic financial community looked the other way.

The E&Y paper is the work of Mr Ron Paterson and Mr Allister Wilson - two of the three authors responsible for the UK Generally Accepted Accounting Practice. This tome is the standard work on the subject. Both are partners at E&Y. The firm, under the new leadership of Mr Nick Land, has given itself a name for "rocking the boat".

On the other side of the argument we have the ASB - led by Sir David Tweedie. He has recently accepted a new term as chairman of the board which will take his leadership into the 21st century. Until last Thursday it was difficult to find anyone who thought he was doing a bad job.

The E&Y paper was an attack on what UK accounting

It alleges that the board is quietly putting in place an agenda to replace historical costs with current values in order to give the balance sheet pre-eminence over the profit-and-loss account, and to chart the wealth of companies from year to year so that accounts can be used as decision-making tools.

But Mr Paterson has said all this many times. What is dif-ferent this time is that the firm felt the need to make the attack in a highly public way and thereby to criticise the standard-setting process. The argument runs that the board smothers dissent and abetted by much of the rest of the profession, seeks to keep the standard-setting process at a low temperature. Unless met by overwhelming opposition. their argument goes, it pursues

its own agenda.

Those who support E&Y say that generally some more "sun-shine" should fall on the standard-setting process. Adverse responses to draft standards could be publicised, for exam-

Sir David's defenders would point out that the E&Y paper has fundamental faults. The "private agenda" argument sits awkwardly against the board's latest progress report in which Sir David repeats the objective of financial reporting: "That financial statements should give information for users' decision making.

It is pretty clear from the

public record that Sir David thinks accounts should do more than record transactions over the past year. In lauding the virtues of the Operating and Financial Review - the new, and popular, narrative

analysis section which the board wants companies to print in the annual report - he says: "This is financial communication rather than mere financial reporting. A fundamental flaw in the E&Y paper, according to the

board's defenders, is its attitude to the wider international scene. E&Y claims that on the one hand the ASB's framework "does not resemble that used in any other country..." but later that "it bears some similarities to equivalent frameworks being developed in other For many this is the heart of

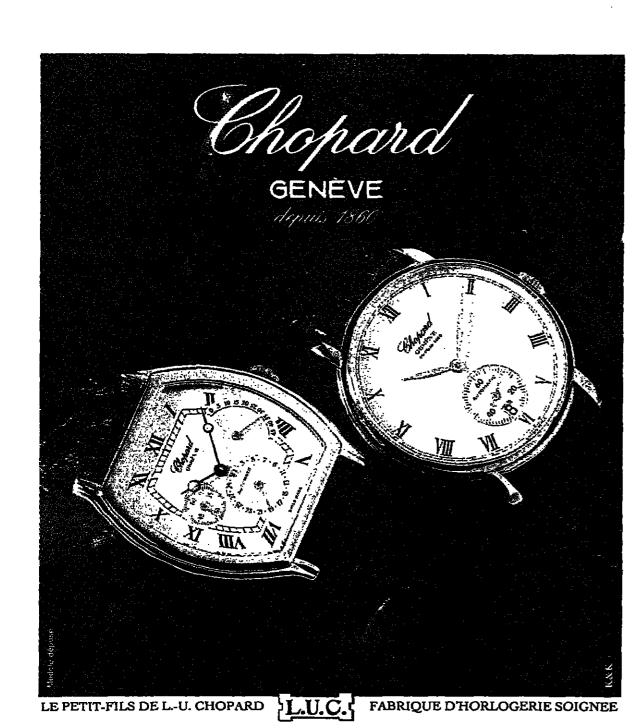
the matter. The board's priority is to maintain the UK's influence in the development of international accounting. This is not a secret, but the conclusion of the board's progress report for 1995. This priority has emerged in the recent past and is now the board's guiding star. Arguably the three most

powerful figures in the development of a global code in accounting are Mr Jim Leisenring deputy chairman of the Financial Accounting Standards Board of the US, Sir general of the International Accounting Standards Board, and Sir David. The UK cannot

afford to be out of step. The board is caught between several large power blocks. On the one hand the economic influence of the US dictates a leading role for the Financial Accounting Standards Board. Sir Bryan's growing influence has been fuelled by the backing of the European Union. The planned endorsement of international accounting standards by the world's securities regulators in 1999 will add further weight to what is becoming an unstoppable bandwagon.

The board believes its framework of principles gives it an agenda in step with the other great powers - and in some important respects one which anticipates developments. As future standards will spring from these principles it follows that the UK will often find itself either ahead of, or in line with. developments leading towards

Without harmonisation companies would have to prepare two sets of accounts if they wished to raise overseas capital – analysts would not be able to understand, or possibly even believe, what they read in UK accounts. Second, the more leverage it will have to preserve, if only in part, its own distinctive code.



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over pace of energy reforms

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**设置** 建铁铁矿

t is hard to imagine a UK government accusing Tesco, Sainsbury and their like of selling too cheaply, and so tightening its legislation governing the distribution sector so that some supermarkets say they will have to raise prices of their main products by 3

to 8 per cent. But that is what the French government did last week. It announced it would tighten a 1986 law so as to clamp down on aggressive discounting and redress the balance of power which it claimed had shifted too far towards the large retailers - the grandes sur-faces - and away from their suppliers and shopkeepers,

It was another sign of the tendency of French governments to regard competition not as a natural state of affairs, but as something requiring regulation and re-regula-

The tide of complaints against the supermarkets has been rising for some time, but it might never have reached flood level if the

#### supermarkets had stayed out of

baguettes. Frequently using industrially made frozen dough, some supermarkets have been selling baguettes for less than FFr1, or one-sixth of the price charged by many local boulangers. Some 5,000 of the latter took to the streets of Paris last spring to complain.

Last autumn, small shopkeepers in Bordeaux also vented their frustration at high taxes (for which they blamed the government) and declining sales (for which they blamed supermarkets) by smashing up part of the centre of the city, whose mayor happens to be Prime Minister Alain Juppe. President Chirac has always had an open ear to the classic Gaullist constituency of small business and farmers, who feel that supermarkets have depressed prices for their produce.

#### DATELINE

Paris: the French government has moved to prevent the supermarket giants from indulging in predatory pricing, writes David Buchan

Indeed, some of the supermarket chains feel they got better treatment from the left, which saw the grandes surfaces as generators of jobs that would be filled by people more likely to vote socialist. The presidents of two such chains, Auchan and Promodes, are being longer to pass on special rebates, ucts with a longer shelf life, the Carrefour would have to raise the retail chains have come into their Auchan and Promodes, are being investigated for allegedly bribing a socialist on the committee responsible for granting planning permission for new supermarkets.

THIS WEEK

Battle for baguette supremacy

So, the French state has now done a U-turn. Having once encouraged supermarkets' development in the 1970s and 1980s as part of a counter-inflation strategy, the gov-ernment is now confident enough of low inflation to allow a change of tack. It is planning tougher definitions of predatory pricing and tougher means to prevent supermarkets indulging in it.

The supermarket chiefs have reacted angrily. Daniel Bernard of Carrefour, who ironically received from the hands of the prime minister the Nouvel Economiste maga-zine's prize of Manager of the Year

prices of its 500 main products by 3 to 8 per cent.

Of course, bread poses a special problem in France. Not so much because of its place in the French diet, but because the stuff goes stale within a day. This requires daily trips to local boulangeries many people cannot get to out-oftown hypermarkets that often

The government ceased regulating the price of bread nearly 20 years ago, but boulangers still have to get permission for their summer holidays from the local prefet whose job is to ensure a rota whereby every quartier has at least one boulangerie open all year. My local boulangere groans whenever the prefet tells her to stay open in the dead month of August. Yet, in virtually all other prodretail chains have come into their own. These supermarkets have not been forced on the French people, who now buy FFr1,000bn worth of goods from the top 10 distributors. Some of these hypermarkets are colossal - the 1,000 largest average 5,700 sq m. They have diversified internally - Carrefour is the country's biggest seller of micro-comput-ers, while Leclerc claims to be the

second biggest seller of books - and externally, by setting up subsid-

iaries selling lower quality goods at

deep discounts. Naturally, many small shopkeepers have suffered, while the Félix Potin chain of small shops has just gone bust. This long-established chain of some 1,300 shops, mainly in the Paris area, was an interest-ing attempt to combine the economies of large-scale central purchas-

ing and the friendliness of local corner stores. But recent mismanagement has made its prices anything but friendly.

Almost the only segment of this sector which seems to be growing is the shop run by north African immigrants, shops which stay open all hours. While French law restricts opening hours, it does not apply to the employment of family members, so labour inspectors generally leave well alone.

The success and popularity of French supermarkets is something which their government and smaller rivals are having difficulty coming to terms with. In a similar way. France is finding it hard to credit the foreign fruits of its greater competitiveness. Despite the fact that France's trade surplus has been rising for several years, reaching a record FFr105bn in 1995. many of its citizens are still moaning about "mondialisation" of its economy, and its dire effects on them. Some people are never

#### PEOPLE

# Talking softly, and carrying a big chip

Charn Uswachoke has guanxi, writes Ted Bardacke

Tt is surprising to hear a man who speaks so softly talk so big. Yet what Charn Uswachoke, the driving force behind Thailand's Alphatec group of companies, lacks in charisma he makes up for in guanxi - connections that make his goal of turning Alphatec into the world's largest semi-conductor manufacturer seem attainable.

Along the way, the 51-year-old Charn is single-handedly yanking Thailand's electronics industry into the upper echelon of high technology: the manufacture of silicon wafers, the raw material needed to assemble computer chips.

Alphatec's 10 companies already control about 10 per cent of the world's semi-conductor market, and with four new plants - including a recent \$1.2hn (£700m) joint-venture with Texas Instruments - to come online by 1998, Charn hopes to outpace his Asian rivals and achieve \$5bn in turnover by 2000.

Thailand's rapid progress in 10 years from a simple assembly base for consumer electronics to a place that hopes to rival Taiwan and South Korea in chip manufacturing is unlikely to have happened without Charn.
But it almost never happened at

all. After 11 years in the US. Charn returned - unemployed - to Thailand. He had no grand vision of building an electronics empire. He returned because his mother called him and told him to do so. "For many years I stay alone, cook for myself, do my own laundry - do everything by myself," says Charn of the 1970s, which he spent bouncing around jobs at several well known US electronics companies after earning his MBA in finance. "I

couldn't take it anymore." In many ways, Charn still operates alone. Working from his modest headquarters in Bangkok - Alphatec occupies only half a floor in a nondescript building slapped on the top of a shopping mall -Charn is neither a hands-on engineer nor a financial wizard.

Instead, knowing both worlds, he specialises in marrying Sino-Thai capital to western technology and expertise. A classic Thai facilitator, Charn is flexible and modern enough to give the Americans who run his businesses freedom to innovate, yet at home with the old ways of Thailand's big Chinese families, who are his backers.

Many of Thailand's high-tech companies, such as Shinawatra, Loxley and TelecomAsia, have used this formula with great success. But Charn has taken it to an extreme. The names on Alphatec's board of directors, such as Wanglee, Boonsoong and Phomprapha, read like a list of Sino-Thais who control important areas of the economy, including banking, finance, car making, property, trading and food. Yet Alphatec's top dozen execu-

tives are all westerners: former colleagues and competitors of Charn. Their resumés spout names such as AT&T, National Semiconductor, Phillips, Cypress Semiconductor, Texas Instruments and Fairchild Semiconductor.

Charn maintains that "this is all for Thailand." The chairwoman of Alphatec, Waree Hawanonda, is a former director of commercial bank supervision at the Bank of Thailand, the most venerable of Thai government bureaucracies. Outside Alphatec factories, Thai flags fly prominently. Royalty lay new corper stones.

Remarkably, Charn, a Sino-Thai, does not come from a prominent family. His birth was not attended by big-time business connections. He had to cultivate them. His first big break was in 1988, when he got an introduction to the Wanglee family, not known for venturing into risky businesses, and used it to take over the Thai operations of Signe-tics from Dutch Phillips.

I got an introduction through a

friend of mine who was an execu-

tive at their bank," he says. "They didn't understand the electronics business well and they also are very conservative. But they looked at me and trusted me and believed in me. Now unbashful about the informality of Sino-Thai banking relationships, Charn says he describes a project, explains how it will make money - and everyone smiles in agreement. "The details," he says, "are left to other people. They are just a formality. In principle they have agreed to lend to us and in Thailand we keep our word, our promise. Some people might have a problem with the banks but you have to get to know the people at the top level and then it's easy. We do business here from the top

Despite concerns that he may be over-extended - debt at the Alphatec group will soon be larger than equity - Charn has always kept his operations of Indy Electronics and word. Bankers are knocking on his door. Thailand's two largest banks, value, low-volume assembly, test Bangkok Bank and Krung Thai Bank, along with the governmentaffiliated Industrial Financial Corporation, each offered to put up the entire \$800m Charn needed to finance his portion of the Texas Instruments plant. Charn split the

financing equally among the three.

The Ti plant will be Alphatec's second wafer production facility. Earlier in 1995, the company broke ground on a \$1.5bn fabrication plant, called SubMicron. Two more are on the way. All will be in Alphatechnopolis. Charn's high-tech production and research centre, roughly twice the size of Taiwan's



Charn Uswachoke: hopes to outpace his Asian rivals

famed Hsinchu science park. All this will be added to Alphatec's existing capacity in integrated circuit (IC) manufacturing, packaging and testing; a new IC facility in Shanghai: the telephone equipment assembly business which Alphatec bought from and runs for AT&T; machine tool and plastics support companies; and the former US operations of Indy Electronics and

ia's Silicon Valley. Together, these businesses will allow Alphatec to do what no other company can: produce customised chips seamlessly within one operation and cut normal cycle times (of

20 weeks) in half. Along with the financial doomsayers who do not understand Charn's relationships with the banks, his biggest detractors are those who cite Thailand's chronic shortage of skilled labour as Alphatec's main obstacle. In fact, Charn is using his own experience to solve this problem by recruiting educated

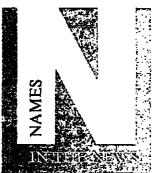
Thais like himself who have settled overseas but would like to return.

"There aren't a lot of them, but there are Thais with PhDs working at TL Motorola, Intel. I say let's recruit them. I am an example for those people about what can happen if they come back. And they want to come back to make it happen in Thailand," he says. Others criticise Charn for not

breaking with the Thai development model, which, because it ited in its ability to generate new ideas and products. Charn accepts that the structure he has created is nothing new, but says it has mouldbreaking potential. "We have to go step by step. Ten

years ago the industry didn't really exist in Thailand. We don't have the people now. So the first thing is to become a production centre and bring in expatriates. In the longer term, we have to start to work with the schools. Then we can innovate. It can't happen all at once."

Charn wants to make it happen as swiftly as possible.



#### PepsiCo trembles on lip of a fresh Enrico era

A change of leadership is a rare event at PepsiCo, the US soft drinks, snacks and fast food group. It has had only two chief executives since it was formed 31 years ago. reports Richard Tomkins in

So Wall Street has been pondering the announcement that Roger Enrico is to succeed Wayne Calloway on April 1. Calloway, 60, has a reputation for a steady, low-profile approach, preferring to delegate responsibility. Although the group has grown strongly under his leadership, he has never cut the same dash as, say, Roberto Goizueta, the chairman and chief executive of Coca-Cola.

But Enrico, 51, head of PepsiCo's fast-food restaurant division, is an aggressive, hands-on manager with a flair for innovation and marketing. In the 1980s, when head of the soft drinks division, he took credit for forcing Coca-Cola into its disastrous launch of New Coke later writing a book, cheekily entitled The Other Guy Blinked: How Pepsi Won the Cola Wars.

Enrico then transformed PepsiCo's snacks division into a world sector leader. Most recently he has made good progress in turning around the troubled restaurant division. Last year, its operating profits jumped 19 per cent to \$867m (£563). Predictably. PensiCo is playing down the prospect of radical strategy changes. But, given Enrico's background, it will be surprising if

he can resist taking close interest in PepsiCo's soft drinks business.

#### Hostetter and the mass-market heavies

Amos Hostetter, co-founder of Continental Cablevision, has been recognised for 30 years as a rose among the thorns of the US cable TV business, icrites Christopher

Parkes in Los Angeles. After last week's \$10.8bn merger with US West, the regional Baby Bell telephone group, he will be enmeshed in the densest thicket.

From running an independent, tight-knit. 4.2m-subscriber operation with a reputation for socially responsible and prompt service, he is now a prime mover in a network that embraces US West's cable partner, Time Warner, and has close links with Turner **Broadcasting System and** Tele-Communications Inc.

The unruly grouping - which includes the colourful Ted Turner and TCI chief John Malone who once said he would like to shoot the top telecoms regulator - has cable connections to 30m US homes.

There are striking contrasts between the mass-market heavies and Continental. In New Hampshire, where it leads the market, for example, Continental has provided all schools with free connections to a classroom network cable, allowing more economic use

of scarce teaching resources. The wider cable industry preparing to compete with the marketing-led telephone carriers. has much to learn from such good citizenship - and also about what Hostetter last week described as "a new world . . . a totally competitive communications environment.

Like his competitors, he had seen change coming. "It will take three or five years after a rewrite of the Communications Act for the changes to become clearly apparent," he said last year.

In the event, they became crystal clear last week. The plus side was someone saw value in telephony by cable, said Marc Nathanson of Falcon Cable. And the negative side? "The idols and pioneers of my life are selling out."

# **Stephanie Flanders** · Economics Notebook



The G7 governments must spend the next few weeks deciding whether to help the world's most indebted poor countries help themselves. The Mexican financial crisis put the thrills and spills of emerging markets at the top of the agenda at last year's spring and autumn meetings of the International Monetary Fund and World Bank. But ministers and officials attending the 1996 meetings have a more old-fashioned problem to address: how to stop the world's poorest economies from slipping even further.

Any World Bank economist will tell you that the first step in helping these countries escape poverty is to reverse the bad policies that have blocked their development. Overcoming resistance to this type of sweeping policy reform is hard enough. But, for many, there is a further obstacle to growth: the burden of paying off large amounts of debt, big chunks of it to the same multilateral institutions that have been urging them to reform.

According to the World Bank, 41 of the world's poorest countries have "unsustainably high" external debt. This means that the present value of their total debts to individual donor countries and multilateral institutions is more than 220 per cent of their exports. Between them, these heavily indebted poor countries (HIPCs) owed more than \$200bn to outside donors at the end

Most observers accept that some of the HIPCs will need special help in reducing their debt burden if economic reform is to be translated into long-term growth. The disagreement is on the details; which countries need extra support, who should provide this and how,

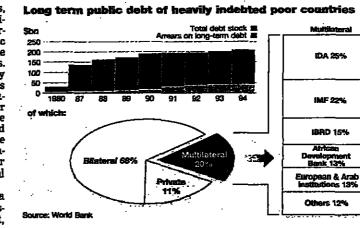
Reducing the debt burden

The world's largest industrial democracies will, in the next few weeks, attempt to solve an old-fashioned problem – how to stop the world's poorest economies from slipping even further

The Bretton Woods institutions. particularly the IMF, have traditionally argued that the debt burden, as opposed to poor economic policy-making, is a serious obstacle to growth in only a few countries. They have also claimed that any measures of debt forgiveness should start and end with the bilateral donors. Not only are the latter responsible for two-thirds of the total debt, but, unlike the bank and the fund, it is likely they can write off large chunks of these obligations without compromising their positions in international financial markets.

These arguments have taken a battering in recent years from pressure groups such as Oxfam. First, the critics pointed out that having a large stock of debt could have long-term costs over and above the direct financial burden of servicing it Foreign investors shun a poor country because of fear of future debt crises; domestic investment is held back because companies believe that the proceeds will be taxed to pay back foreign creditors; and scarce administrative resources and talent are diverted from domestic policy priorities in a continual round of re-financing and rescheduling negotiations with for-

eign donors. Second, critics noted that donor governments had made some modest efforts to lessen their part of the "debt overhang", in a series of agreements reached under the auspices of the Paris Club. Donors have resented the fact that the World Bank and the UMF, as "preferred creditors", often seem to be the true beneficiaries of bilateral debt forgiveness. Multilateral debt accounted for around one-half of the debt service payments made by



HIPCs in 1994, compared with onefifth in 1980.

Faced with such a barrage, the World Bank has made something of a strategic retreat, although it has had a difficult time persuading the IMF to go along with it. Last year an internal bank memo admitted that up to 23 of the 41 HIPCs could face difficulties reducing their debt to manageable levels, even given highly optimistic forecasts for economic growth.

The authors' suggested solution was to use a mixture of bilateral and multilateral funds to create a new "multilateral debt facility" which would help these countries pay off the unsustainable portion of their multilateral debt.

This idea did not go down too well with several member governments, or with many at the IMF. The latter said privately that four countries, at most, faced a serious problem, and even these would be better helped by using more traditional methods of re-financing.

However, a leaked copy of a joint IMF/World Bank staff paper suggests that the two organisations have gone some way towards resolving some, if not all, of their differences over the extent of the problem. Officials are now pondering proposed solutions for debate next month in Washington.

The new paper states that around eight of the 41 HIPCs cannot be expected to achieve sustainable debt burdens in less than 10 years, even on the heroic assumption that all anticipated economic policy reforms, export growth and re-scheduling of bilateral debts take place.

A further 12 or so countries are defined as "possibly stressed", in that they cannot be expected to reach sustainable levels of debt in less than five years.

Oxfam argues that both institutions, particularly the IMP, are carefully minimising the problem so at to avoid having to find large sums of money for a solution. But,

for the moment at least, it is not clear that a solution is going to be offered to any country. In principle, the IMF has agreed to the idea of selling off a chunk of its gold reserves to make its soft loan arm, the Enhanced Structural Adjustment Facility, a permanent facility which could be used to help countries re-finance their IMF debts. For its part the World Bank has no similar pot of gold, but many insiders admit that its reserve requirements and provisions for bad loans are excessive. So it, too. could probably come up with significant amounts of money for specific. debt-alleviating measures.

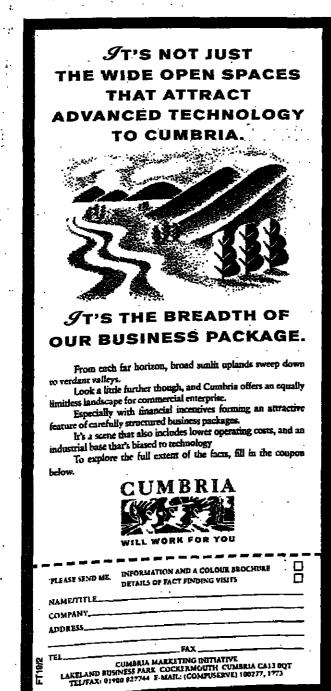
desperate countries. Several of the largest shareholders of the bank and IMF are unconvinced that writing off the debts of a few countries ought to take precedence over other claims on scarce aid funds.

The problem is that this "extra"

money could be used to help other

Why, they argue, should they reward countries that have so mismanaged their affairs they cannot repay the softest of loans, when the same money could be spent supporting the good behaviour of

other, equally needy, countries? There is no simple answer to that question, except to re-state that the countries concerned are among the world's poorest. One possibility would involve granting debt forgiveness-cum-refinancing for good behaviour. This would echo the IMF's approach in such countries as Zambia and Peru, which have been able to build up eligibility for official debt re-scheduling in exchange for having complied with specific IMF policy demands. To forgive debt in this way would lift the extra debt penalty that now hangs over these countries.



# The new manager, boldly going.

anaging a business used to be a straightforward affair. But today's practitioners are under assault from psychologists, philosophers and a variety of other unlikely

The latest in a series of bewildering books about how to succeed in life and business takes its cue from the late 23rd century. Make It So: Leadership Lessons from Star Trek purports to be a first-hand memoir of the adventures of Jean-Luc Picard, captain of the USS Enterprise. It is mildly entertaining and wildly improbable.

But it is also meant to be a serious text on leadership. "While the past affords us the opportunity to learn many useful les-...we can also gain insight for today by giving some thoughtful consideration as to what lies ahead for us," pontificate the authors, Wess Roberts and Bill Ross. And what better insight than to imagine life on board a spaceship with an android, a Klingon and assorted interplanetary misfits?

If you are taking it all too seriously, you need Hote to Make Work Fun. David Firth's racy collection of tips on how to bring a smile to your work-station. "Disclaimer: There are two lies in this book. This is one of them," he starts winningly. And then some serious fun. Firth urges us to steal pencil sharpeners ("ultimately futile, but strangely satisfying"), Blu-tack graffiti to the toilet walls, and take Polaroids of colleagues "that show just how silly they look when they are concentrating hard". All this to support his core ideas: "Work is crazy: work is scary; work should also be fun".

Then from the world of sport there is Will Carling, England rugby captain, favourite of the gossip-columnists and, now. self-styled management guru. Carling's recipe - as he extrapolates lessons for top managers from his experiences on the field in his book and tape, The Way to Win: Strategies for Success in Business and Sport - is always have a vision, and you will win in business just as in sport.

As the above examples show, the idea of management as a set of learnable, scientific skills is less pervasive in the eclectic, intellectual climate of the 1990s. Management books and courses are proliferating, each offering its ostensibly unique - and sometimes bizarre - insight into the elusive arts of business and commerce.

But if managers of the 1990s have never been offered such a rich - and eccentric diversity of theories, the question remains as to whether they are any use.

George Bain, principal of the London Business School, has observed the trend taking root in academic circles: "The management field is characterised by fashions. which have different lifecycles. When management education got going in the mid-1960s, it was seen as a science with testable hypotheses. Now it is seen much more as an art. There is an emphasis on the 'softer' skills, or what people call the 'touchy, feely'

Although Bain resists the suggestion that soft skills are a soft option - "you could argue it is more difficult to teach people how to become good communicators or how to improve their inter-personal skills" - the changing view of management has allowed

any and every theory to flourish. Today's management gurus stress the a rapidly cha world and people's ability to respond to it. Flux, flexibility, creativity are the new buzzwords; there is little room for the quiet accumulation of technique which used to characterise the subject. "Traditional busi-



position yourself in the market. Now it is about action, about being able to cope with whatever the world throws at you," says Bain, Many best-selling management authors tap into this feeling of uncertainty to produce their flighty remedies. Tom Peters, warming to his theme in his Liberation Management: Necessary Disorganisation for the Nanosecond Nineties, writes: "If you don't feel crazy, you're not in touch with the times! The point is vital. These are nutty times. Nutty organisations, nutty peo-ple, capable of dealing with the fast, fleeting, fickle are a requisite for survival ... If the marketplace has 'turned ephemeral' on

us ... then we must turn ephemeral, too." Peters and his fellow ephemerals borrow liberally from current affairs (Francis Fukuyama's "end of history" thesis), science (chaos theory and fuzzy logic), philosophy (the displacement of "truth" implied by post-modernism) and even feminism (the championing of "soft", intuitive skills over cold, intractable logic).

The result is to portray an unconfident therefore, is the point of teaching skills and techniques that could be redundant tomorrow? Better to reform your personality (more borrowing here, this time from the vocabulary of psycho-analysis and self-imness strategy used to be all about how to provement) to enable you to deal with the ists in the Louvre. They have the option -

ever-changing demands of the new world. Even if you avoid the new wave of literature because you find it puzzling, you may be sent on a management course by your employer. Courses, too, were traditionally conceived as a supplement to add new skills. Nowadays, you could find yourself crawling on a carpet building Lego bridges; assembling a tent while blindfolded; being woken unexpectedly at 6am and asked to compete in an outdoor pursuit.

Alan Howard, a chartered psychologist for CPCR, a management training company, says unusual outdoor exercises can help people who work together to see things in a fresh way. "They are partly bonding exercises, partly a chance to discuss real business issues at the same level and free of

interruptions," he says.

But even at the most intense level of management training - the full-time MBA things are changing. Here one finds a more considered, but no less radical, re-evaluation of what it is to be a business manager in the late 1990s.

enc bnvs was MBA programme at France's prestigious HEC School of Management in 1992. He set up a syllabus that included sessions on art and philosophy. Now, managers are given lectures on medieval painting from specialtaken up by all participants this year - of spending four days in a Benedictine monastery to discuss business ethics with the monks and a senior executive.

Briys says: "I was worried about the traditional approach to business ethics - here is a dilemma, here is a solution, just like any other business decision. And a business school is hardly a neutral place." So he set up the monastery retreat with the help of two monks who were HEC alumni.

He believes the true education of business people must be as broad as possible. "We take people whose average age is 29, who already have professional experience; they may have a family, and they are breaking their careers for 16 months, which is a big step. So our aim is to give them ideas from fields that apparently have nothing to do with management."

He does not believe this represents a retreat into gobbledygook or intellectual faddism; rather the reverse. "We always aim to take a long-term view. By introducing environmental, ecological, ethical to understand what the marginal cost of anuthing is to markind.

"If business people are going to make important decisions about the future, they need a cross-sectional view. Then, they can do what they like - that is politics. But they

must have no way of saying: 'I did not know'. We are trying to make people more

This more reflective, philosophical approach to management education is gaining currency even among the notoriously pragmatic British. Brian Baxter is director of Kiddy and Partners, a London firm of corporate psychologists whose clients include American Express, Hasbro International, Bass and the Automobile Association. His courses unashamedly espouse a "post-modern" view of management: that you have to deal with a world in which traditional beliefs are fragmented, there are a plurality of voices and, consequently, multiple approaches to strategy.

Baxter eschews simplistic notions such as Carling's sports metaphor for business success. He says managing people in business today more closely resembles the mounting of a theatre production: "People come together in short bursts, and then go away. It is a much more fluid notion than the old idea of the manager-coach in charge of a happy team, which makes many assumptions about the capitalist work-ethic."

He also lectures his clients on the famously difficult French philosopher Jacques Derrida, whose emphasis on "deconstructing" meaning has found many followers in fashionable parts of the academic world but few, as yet, in boardrooms.

But Baxter says his clients are fascinated rather than frightened by Derrida's ideas: "It is all about exploring areas at work which are not normally legitimised. It is helping an organisation realise that you cannot just impose male, Wasp (white, Anglo-Saxon Protestant) values in all your business dealings, for example. It is not just political correctness, it is about how to allow other values to emerge.

"Businessmen and women have a very practical reaction: if this is post-modernism at work, then we could do with more of it. They come to understand that we are not actually uncovering meaning in the world but we are making meaning in a messy, turbulent environment.'

But there are those who remain sceptical. Clive Fletcher, head of psychology at Goldsmiths College, London, sees the flourishing of extravagant theories, as evidence of the insecurity felt by today's business world.

"There has been savage social and economic pressure over recent years. Many managers are now doing the jobs of two or three people. There is a desperate search for something to hold on to, a way of making sense of the world. But there is not going to be a single management style for the year 2000. There is no simple answer.

"There is emphasis on innovation, but eople only innovate from a basis of psychological security. There is lip-service paid to the 'long-term view' but all the pressures are against strategic and visionary thinking. Businesses still have to live in a world interested in immediate results.

There is a big gap between what is being said and what can be done.

And what about those self-help manuals, the surging prose encouraging us to shed our anxieties and embrace the new world with a vigour we scarcely knew we possessed, the cerebral attempts to impart us with a new-found wisdom?

Fletcher is unimpressed. "Everyone in yourself. But the evidence is that, beyond the age of 25, your core personality attributes remain remarkably similar. We simply do not change and develop as much as

#### **FAST TRACK**

#### TecnoLogistica

When two Italian venture capitalists set about building a warehouse and distribution ompany they decided to think big. They suspected that volume would bring rewards in Italy's fragmented and under developed market for integrated logistics

Fabio Sattin's Chase Gemina Italia Directional Fund and Paolo Colonna's Schroder Venture Holdings set up a holding company called GLE in early 1992 after buying Asiru and SLL two warehousing companies in the Milan area. By the end of last year their group, renamed TecnoLogistica. comprised 26 companies and bad-become Italy's leading contract logistics company with a quarter of the outsourcing market and estimated 1995 turnover of L500bn (£210m).

TecnoLogistica believes that in winning warehouse and distribution business from large retailers in service industries it has barely scratched the surface and is aiming at 15 per cent growth in sales a year.

COMPERSE

"We wanted to find an interesting market and approach it in a creative way," says Sattin. "The logistics sector was growing and companies wanted to contract out so as to concentrate on core activities." Pirelli, the tyres and cables

manufacturer, did this in December 1992 by selling to the newly established TecnoLogistica its Fintrasporta logistics activities and by taking a third of the equity.

At this point Alessandro Deglorgi, aged 55, was recruited as chairman from a subsidiary Pirelli was selling in Germany... "Two things attracted me -creating one company out of many with varied control systems and convincing stomers to outsource.

Last June, TecnoLogistica, based at San Giuliano Milanese on the outskirts of Milan. notched up its 26th scalp by taking 51 per cent control of Domenichelli, a trucks company with the receivers. Sales grew from L273bn in 1993 to L391bu in 1994 with about 60 per cent ofthe growth generated by acquisitions and the rest from new clients. The same pattern was repeated in 1995 but

lead the way shortly. TecnoLogistica estimates that 30 per cent of logistics services in the UK are contracted out. compared with only 12 per cent in Italy. "Companies are too : small to offer what customers need in terms of adequate insurance, security and information on the flow of goods," says Degiorgi. "It. sounds illogical but I should welcome a big competitor to create more demand."

Multinationals are not tempted to cover the whole of Italy because demand is ncentrated north of Florence. Degiorgi estimates Italy's outsourcing market in logistics will grow from the current L2,000bn to L5,000bn over the next five years. He is targeting big retailers whose warehouses he says, are too numerous and too small and who could save about 20 per cent of costs by outsourcing.

Degiorgi wants to add a dry foods division to an armoury that is strong in electronics and especially healthy in the automotive industry which accounts for a third of turnover .. He expects further acquisitions and a gradual merger of subsidiaries to prepare TecnoLogistica for a stock market listing within three or four years.

John Simkins

# Exercised by etiquette in the gym

t was first thing in the morning and I was not looking my best. I was wearing a perished swimming costume and my hair was squeezed into a tight red cap. A few feet away was one of the FT's most respected columnists. He was not looking his best, either. "Hello", I said averting my eyes from his tiny swimming trunks and from his belly which was sticking out over the top of them.

Most people can cope with their colleagues in the familiar surroundings of the office. Men and women and seniors and juniors have all learnt how to exchange pleasantries by the coffee machine. But put the same people in the gym, take their clothes off, bathe them in sweat and it is a different story altogether.

The gym presents a serious problem of workplace etiquette. Many big companies - such as the FT have corporate memberships at local sports clubs, while others have gyms of their own. Gyms are peculiarly egalitarian places: you are just as likely to find yourself next to the chief executive on the step machine as to the office messenger

The usual hierarchy is gone, but in its place is an alternative one in which the fit lord it over those who look close to a coronary after two minutes on the exercise bike. It is all thoroughly embarrassing. What are you meant to do when you see your boss purple in the face, sweating away on the treadmill? Ignore him, or bounce up and say Hi!

For swimmers there is a salva-tion. At least half the people in the the pool are partially sighted either because their goggles have steamed up or because they have left their glasses by the side - so it is quite acceptable for the other half to pretend to be blind too.

In the gym (or so I am told by acquaintances who use it) the problem is worse, especially for women. Most women's gym clothes are entirely unsuitable: what is the point of going to all that trouble to dress professionally at work if you are then to parade yourself in



#### **Lucy Kellaway**

Then there is the difficulty of cess Diana and be thankful for choosing suitable reading matter to pass the time as you work away on the machines. Is it all right to be spotted reading Hello! if your colleagues seem to be diligently swotting up on a report or reading the FT?

The gym also introduces an unwelcome new area of competition into office life. Beware those colleagues who surreptitiously race you in the swimming pool, or who gloat over the fact that you are only on stage one of the Stairmaster. One answer is to stop going to the gym. Failing that, keep your eyes

straight ahead of you, think of Prin-

small mercies. At least no one is trying to take your picture.

I am pleased to read that post the Scott inquiry into military equipment exports to Iraq, an extra dimension has been added to the whistleblower's parliamentary bill. Those who rat on their colleagues will be protected from victimisation so long as their disclosure is in the public interest

It would be nice if the bill could apply to the home as well as the worked for nothing. Luckily this

office. My husband has done some-thing which I cannot condone, that is clearly against the public interest and may also be in contravention of local regulations He has installed an enormous sil-

ver satellite dish on the back of our house. He has offended against every management technique in the book: there was no consultation, let alone any attempt to reach a consensus. No meetings, no nothing. After the event there was no grievance procedure, no mechanism for dealing with complaints.

Reluctantly, I am forced to blow the whistle on him. If anyone is reading this in the conservation department at the local town hall, take note: the dish is visible from the street. Now I need protection. He is threatening retaliation, but so far all he has come up with is an illegal bonfire I had in the garden.

be further amended to make it Last Thursday (February 29) we all

demoralising thought did not occur to me until the end of the day when I saw a fax from the union MSF urging all employers to give the £880 they had allegedly saved to a national training fund.

Why is it that labour has not managed to get an extra return on leap day? Capital has done it: the banks are charging interest for 366 days this year. If I were a member of MSF I would rather that my union dropped its fanciful sugges-tions and went back to the old fashioned - though in this case justified - task of getting more money for

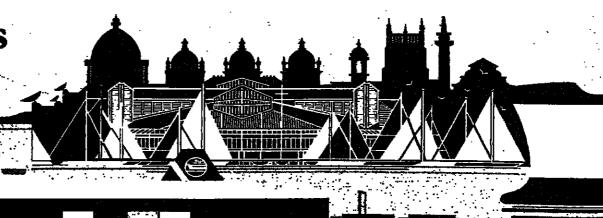
ABB AB. ABB AG. These configurations of letters are the new names that have been chosen for respec tively Asea and Brown Boveri. I could have sworn that they were two more of those tantalising brain teaser sequences that we have been running in our Mastering Manage-

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MIT business students are learning how to deal in stocks and shares, says Victoria Griffith

The second of th

# Trading floor lessons

t's Thursday night, and the Massachusetts Insti-tute of Technology's (MIT's) MBA students are hard at work on the trading floor. Traders shout across desks and speak in hurried tones into their telephone handsets while stock prices from Far East markets flash on the computer screens.

The students are not moonlighting as after-hours Wall Street dealers. The facility they are using is the new \$3m (£1.9m) trading floor at MIT's

Sloan School of Management. The trading floor gives students the chance to test trading strategies, or just get a feel-ing for what a trading floor is like," says Jamie Raboy, a dealing room regular. "It will give us a real leg-up when we

start working on Wall Street." The Sloan School has just completed the facility, which includes the latest in trading software. Except for an area set aside at the front of the room for a lecturing professor,

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Winning Development

the space looks and feels like any modern trading room.

On one wall, glowing green symbols from both the New York Stock Exchange and Nasdaq race across a board. Another wall has a row of clocks recording times in London, Tokyo and Cambridge, Massachusetts. Computers are hooked up to live feeds for price and volume data on 300,000 financial instruments in 29 markets. Each of the room's 23 desks has access to a Pentium computer and 25 tele-

"There are a couple of other simulated trading floors at MBA schools in the US, but this is by far the most sophisticated, and the only one with a live feed," says Paul Asquith, senior associate dean at the school. "We have everything a top Wall Street firm has, and in some cases, we're even more state-of-the-art.

The space was designed by Dyer-Brown & Associates, architects who have built simi-

lar facilities for financial firms around the world. The room was pulled together through equipment donated by suppliers, says Asquith, "I drew the line at cherry [wood] desks, though. After all, these are students. We thought Formica would do."

The Sloan School hopes the trading floor will strengthen the ties between the financial markets and academia. To answer questions about how in the past had to rely on financial firms to furnish the relevant information.

heories on how fast traders react to news for example, could only be tested after researchers obtained data from the exchanges. The live feed in the MIT trading room means theories can be tested far more quickly with first-hand data. The ability to test trading

theories is key for MIT stu-

dents, many of whom are des-

**BUSINESS EDUCATION** 

tined for the financial markets. The Sloan School has become known as a gold mine of stu-

dents armed with sophisticated

new trading strategies. Besides using the room to test esoteric trading techniques, students say the floor gives them some practical experience that will be valuable during summer work in commercial organisations and after graduation. "Just being able to pull up the pages you need on Reuters will impress employers," says Raboy. According to Asquith, a num-ber of Wall Street firms are already talking about visiting the trading floor to see what the students are working on.

Scientists from other parts of MIT will also be able to test trading theories through the facility, and it will be used by students specialising in other areas of business such as corporate finance.

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Schools vie for multinationals

Multinational companies which want to employ MBA graduates look equally to European schools and US ones, according to a breakdown of figures from the latest MBA Career Guide.

According to the publication, the business school most often targeted by international recruiters is Insead in France. Wharton and Harvard are ranked second and third, followed by London Business School, IMD in Lausanne, Chicago, Stanford, Rotterdam, the Massachusetts Institute of Technology and IESE in Barcelona. The research was based on a survey of nearly 200 companies which recruit in two or more continents. MBA Guide: UK, (0)171 284

Gifts galore from Chicago to UK

The graduate school of business at the University of Chicago has received its largest gift – a \$15m (£9.7m) donation from former MBA student Eric Gleacher.

Gleacher, whose investment bank was acquired in 1995 by the UK's

says the report's authors. National Westminster Bank, The Research Group is now chairman of NatWest's commercial and investment surveyed 563 managers from banking operations in North America. The challenge grant Europe and south-east Asia, all of whom had previously will match donations given attended Ashridge open by other alumni up to the

courses. According to the report, to be published this month, 76 per cent of managers said that their organisation supported their development. Forty-nine per cent said that their organisations were concerned to marry the needs of the business with that of the manager. Ashridge: UK, (0)1442 843491

Financial wizards for Oxford and Paris

Oxford University's school of management studies has appointed a deputy director to take special responsibility for executive education. Rory Knight is presently dean and fellow in finance at Templeton College in Oxford. School of management studies, Oxford: UK. (0)1865 228480 • The University of Pennsylvania's Wharton School has announced the appointment of director for its European office based in Paris. She is Isabelle Cegiel, a banking specialist and former consultant.

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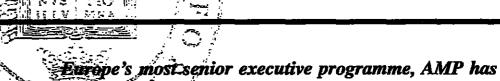
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Keith Wheatley finds sponsors following a departed TV audience



Show Jumping Association has just published its list of ownfor 1995. Everest, a company that has domi-

nated showjumping in Britain for nearly 30 years, was in eighth place with £67,500. That doesn't sound like

much money, and obviously the same thought occurred in Everest's boardroom, for it has now ended its sponsorship of a sport that seems to be in rapid decline in Britain.

Top of the earnings list was Michael Whitaker, with £232,648. That sounds a fair amount of money, but looks less if you study the earnings figures in other sports. Two good tournament perfor-

mances on the European tour would net a golfer that kind of sum, and he only travels with a caddy. An international showjump rider must take to the road with a vast lorry, a string of horses eating their heads off, and several grooms.

Top showjumping stars Michael Whitaker and his brother. John, as well as David Broome, have recently lamented the sad reality that, to stay solvent, a British rider must now spend the biggest part of the season competing in continental Europe.

Everest obviously took a hard look at showjumping's visibility in Britain - and didn't like what it saw. For a company that needs large audiences to sell a lot of doubleglazing, it no longer made sense to spend millions each year on a promotional vehicle that was ceasing to function.

"In the heyday of showjump-ing on the Eeeb [BBC], they were selling so much product through that exposure that they didn't need to advertise on commercial television. says a source at the British Show Jumping Association.

With last week's death of legendary showjumping heroine Pat Smythe, Everest's decision may mark something of a watershed in the country that practically created showjump-

ing as a professional sport. "[Everest] has been a fantastic sponsor, and I'll be so sorry



John Whitaker on Milton: television is a paradise lost for showlumping

to see them go," said John Whitaker when the news broke. He was an Everest rider, along with brother Michael and Nick Skelton. The biggest worry for sponsors is the decreasing amount of broadcast time given to showjumping. The Horse of the Year show no longer has millions glued to their TV sets.

Indeed, the remaining fans are becoming vociferous. The letters page of the latest edition of the magazine British Horse, sent to 65,000 members of the British Horse Society. contains an anguished plea from a Midlands reader asking the BHS to intercede with the BBC and get more horse sports back on television.

Tirst it was Horse of the Year Show, then less and less racing coverage, and now Olympia. I am worried that Badminton and Burghley [horse trials] will be next." wrote Karen Wright of Kings Norton, Last year's annual pre-Christmas show at Olympia in London had the strongest international field of competitors for some years, and was a sell-out in the grandstands, but the cameras stayed away. In its defence the BBC replied tellingly: "One impor-tant factor we must bear in mind is that viewing figures

for showjumping and programmes like the Horse of the Year Show have been falling for a long time now. If an event no longer receives support from the viewing public, we have to look very carefully at whether it can command such a high priority in our sched-Flicking through One Jump

Ahead, an autobiography Pat Smythe wrote in 1956, one is struck by how BBC television made enormous efforts to get footage of Smythe and her horse Flanagan at the Stockholm Olympic games. In terms of media stardom, she was the Sally Gunnell of an earlier generation, but it is hard to imagine a contemporary rider enjoying such renown.

Not since the pugnacious Harvey Smith has there been a rider of such fame. Of course. the popularity of various on television fluctuates.

A decade ago, snooker clocked up massive ratings, but has since slumped. Yet that, too, reflects malaise. Young men now seem to opt for the smaller and simpler pool table.

This is certainly not the case with equestrian sports generally. Whether one looks at busy pony club gymkhanas or the magazine racks at W. H. Smith, there is plenty of evidence that horsey activities have never been more popular. The problem may be TV's boredom with the traditional showjumping offering: a single horse racing the clock inside

Radicals such as Peter Lewis, a Kent breeder of showjumpers and dressage horses, believe that showjumping's format is dull and stale. He makes the point that if Linford Christie and other sprinters were to run alone down a track and have their times compared in order to find a winner, the 100 metre sprint would not be the blue-ribbon event of international athlet-

pany, called Revolution Show Jumping, to promote a new form of competition. Two

horses enter the arena together

and then peel off to either side

to jump an identical sequence

jumps, before coming back

together to race down the cen-

electronically controlled

tre lane to a chequered-flag fin-Traditionalist opponents of the scheme have sneered at it as "Gladiators on horseback" a reference to the coarse, juvenile, but hugely popular TV show that dominates the ratings both in Britain and the

"If any horse event could get half the audience of Gladiators, then as a sport we wouldn't be in this mess," says Lewis, who has sold his farm in order to invest £100,000 in Revolution Show Jumping.

He says: "I know the traditionalists in the equestrian hierarchy will oppose it. That's why I'm ignoring them and going out and talking to television producers in Japan and Germany, where they seem to

# an inspired library

Simplicity and use of natural light enhance the addition to Jesus College, writes Colin Amery

Some of the greatest rooms of the world are libraries. You only need think of the library by Sir the chapel and facing the Master's garden. Christopher Wren at Trinity College, Cambridge; or the Codrington Library at All Soul's College, Oxford, by Nicholas Hawksmoor to be transported into rooms of such dignity and refinement they seem to imply intellectual dis-cipline as well as architectural

The Long Room at Trinity College, Dublin, sends the mind on a perambulation among volumes and columns designed to inspire elegant and elevated thoughts. In these early libraries there are always human presences, albeit in marble; ducal benefactors gain from their association with solemn busts of Piato, Anacreon

and Isaac Newton. Today, no busts look down in the newer libraries in the older universities - but colleges still aspire to make their new libraries rooms of immense dis-

Cambridge colleges. untouched by recession, continue to build for books as well as students. Newnham has added a vaulted room for rare books by Joanna Van Heyningen. St John's acquired new library space in a highly sensitive spot opposite the chapel where Edward Cullinan designed a successful and pleasing building. In the 1960s, Chamberlin Powell and Bon made a splendid vaulted library for their brand new college of New Hall.

Last week, Jesus College showed to the world its new college library - a competitionwinning design by the architects Evans and Shalev. The college dates from 1496, when Bishop Alcock of Ely appropriated the Benedictine nunnery

of St Radegund. It has a remarkably spacious site and during 500 years has grown around its chapel and cloisters while keeping a sense of amplitude. Where to site the new library was a delicate deci-

sion, but the college had the

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ter's garden. The plan is that in time the library will be part of a new court with 60 residential rooms and music and conference facilities.

The competition was held in November 1991 and the original eight entrants were reduced to two firms paid to proceed to the final phase. These were Evans and Shalev and Edward Cullinan and Part-ners. Winners Evans and Shalev began construction in September 1993. The library was ready in two years. Evans and Shalev are a suc-

Jesus College library - it has an atmosphere of quiet contemplation

cessful practice. They have recently created two of the most successful smaller public buildings - the Truro Law Courts and the Tate Gallery of the West at Saint Ives. These have much in common with the library at Jesus College. The planning of the law courts, with ramped circular waiting areas and intelligent mixture of public and secure space, makes for a highly accessible but contemporary building. The library has just those qual-

The brief required space for 125 readers and 40,000 books. Computer terminals and electronic technology were assumed. As in the older, agreeable college libraries, the decision was to have room for reading among the books. That ruled out stacks and readers confined to the perimeter. The competition rules were that scale, mass and materials should relate closely to the

existing college. The architects chose as their source and inspiration the

buildings that were added in the 1930s and 1930s by the architect Morely Horder. The underrated Horder worked on private houses as well as commercial or public buildings.
His simple Tudorish buildings at Jesus work beautifully

and bridge some awkward gaps. Indeed, they inspired the new library in scale and materials. Horder used Tudor light coloured bricks and stone and plenty of oak. Evans and Shalev responded by using the same brick for the library, with Cornish slate for the roof and Freuch limestone. But there is nothing Tudor

about the style of the library. Its success lies in the highly controlled plan. In construction it is a simple steel structure with some load-bearing masonry. That accounts for the incredible cheapness of the

(\$3.2m), including lavender blue carpet and all purposemade furniture of elegant stained American ash. The college must be proud of such a sympathetic addition at such a reasonable price. It also fits brilliantly with the Horder Chapel Court buildings. You enter via a rotunda and take the stairs to the first floor reading room. The circulation works well. But the giant arched windows are slightly mannered. They allow ample light into the library but do not quite belong.

This is a highly pleasing new library for the undergraduates. It has an atmosphere conducive to contemplation, quiet and cool in its palette, using as much natural daylight as pos-

Evans and Shalev make the plans of their buildings work well. Within a tight budget they have produced double height spaces and a rotunda and reading space that is inspirational. This quiet, very English extension to the ancient college is already much appreciated

It is a tranquil and modest

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The library cost only £2.1m

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to wiring each of the 13,000 schools in the state of California to the internet takes place on Saturday, March 9 -Net Day '96 (www.net-day96.com). Sponsors, along with representatives of local high-tech companies and President Bill Clinton, are encouraged to contribute to costs or to help in the actual wiring up. There are now more than 11,000 volunteers and 640 cor-

porate sponsors. A fine example of translating a virtual vision into direct action. One of the glitziest and most ambitious Web sites was launched last week when Disney set up its virtual theme park at www.disney.com, with information covering the whole range of the entertainment giant's activities. The highly active site includes

Analysts point out that the World Wide Web and other multimedia vehicles are moving away from text, towards moving images and video. games, sound, and video clips. It has almost become my six-

year-old's screen saver and is worth a look to see how huge resources can shape a site. Meanwhile, if you're planning a holiday visit to the real-life Disneyland, the 1996 California Bed & Breakfast Guide is available on the Web (www.innaccess.com), with searchable details of more

than 800 vacation spots and stopover locations on the west coast. Very nice. Stock Data Corporation (http://stockdata.inter. netistockdata) provides price and volume information for stocks and indices tracked on three US exchanges. A downloadable demo is available.

 America's Employers (www.americasemployers.com) describes itself as "the job seeker's home on the Internet" and is a good source of material if changing your career. Interesting and useful information. In the UK, Reed Personnel Services has links to other recruitment sites, for example www.jobsite.co.uk for IT, engineering and accountancy; or www.worknet.co.uk

for banking, law and manage-

Hyperfiction also faces intrin-

sic difficulties. While poetry or

descriptive parrative adapt

well to an interactive style, it

is nearly impossible to present

sophisticated plot-orientated

stories via hypertext.
"I was recently asked to do a
demonstration of how a plot-

oriented story could fit into hyperfiction," says Moulthrop.

And I was damned if I could

come up with anything that worked."

Some critics believe hyper

fiction is too chaotic and diffi-

cult to get through. Reading text on screen is notoriously

thring, and the computer can

sometimes get in the way of the story. Browsing in Patch-

work Girl, I sometimes encountered a screen that

said: "Storyspace has encoun-

tered an unexpected situa-

Yet hyperfiction advocates

believe the form has not fully

realised its potential. East-

gate's publications are avail-

able on floppy disk only,

rather than in compact disk form, which would allow for

 Independent inventors and designers might find the Intellectual Property Creators' Site (www.best.com/Tipc) interesting. It has about 50 pages of information on patents, copyright and design protection. Current, easy to browse data. • For DIY-ers, the Polycell Products site (www.polycell. co.uk) has decorating tips and more than you probably ever wanted to know about Wallpaper. You can win vouchers by sending them your own DIY tip. Better than actually painting the ceiling.

• International Financial Network (www.world-investments.com) is a source for information on real estate, investment and business opportunities; primarily in the US and Canada, but also expanding to include the rest of the world. In its early stages, but another quick-click listings option.

· Technoland by Flanders Technology International (www.flanders-technology.be) is a guide to the seven-day technology trade fair and convention in Belgium starting April 15. Covers housing, working, production, communication and other areas.

 Details of the 66th International Motor Show, to be held in Geneva from March 7 to March 17, are at www.ville-ge.ch/gve\_guid/ evenemnt/auto/s\_autoe.htm, including info on the car-a-day lottery prizes. Interesting stuff. French and English versions available.

• Finally, www.stl.co.uk/etype has news of the sale of Jackie Stewart's former 1961 3.8 series 1 E-type Jaguar. Find out about the car and, if you're interested in buying it (price: in the region of 240,000), you can e-mail the owner your number and he'll contact you.

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Tim Jackson

# Surest way to kill a bug is by spotlight

ing. Nissan

"Oh, at last. I you could help me. I've got this terri-ble problem with the new hatchback I bought from you last week. Whenever I tune the radio to FM and switch the wipers on. I can't open the driver's win-

"Why not?" "Because if I do, the engine cuts out and the brakes fail." "One moment, sir. I'll look for information on the problem in our technical support

database. (Ten minutes of Chopin). "Ah, yes, I'm pleased to tell you that's a known problem. We'll be recifying it in the new model next September. Our advice to customers is to avoid opening windows while operating the wipers. Thank you for calling Nissan."

As far as I know, no customer of Nissan has ever had such a telephone conversation. Transpose the details to the PC industry, however, and the experience is wearingly familiar. Sooner or later, every serious computer user discovers some big problem with a software package; often, it takes hours on the maker's support line to discover the flaw lies in the design of the software itself.

Part of the reason is the principle of backward compatibility. To achieve their present market dominance, Intel and Microsoft have long followed a policy of making sure new products can run the software written for older ones. That is sound commercial sense; in design terms, however, it has imposed bizarre constraints which make today's standard PC

hard to use. It is no coincidence that Apple machines and their software are simpler, and that the latest reliability survey in the US showed Macintosh customers more satisfied than

But software houses cannot blame all their product problems on operating systems and microprocessors. Too many applications are hastily conceived; and market pressures encourage companies to

release products containing so

many flaws that they would

never pass muster in any

other industry. Software houses can get away with this as they do not have to take full responsibility. Users who cannot get a program working often wrongly blame themselves first. Those experienced enough to realise the program may be at fault can spend frustrating, sometimes expensive, hours calling technical

help lines, and all because the

design wasn't right first time. To be fair, times are changing. Microsoft, once the industry's biggest sinner, now bills its divisions for the cost of supporting their products - giving them at least some reason to make packages more intuitive. The company spent millions of dollars on a vast outsourcing contract for its Windows 95 operating system, in which a handful of big computer companies were given the job of supporting users. Its latest products contain TipWizards - mini-programs that track what users are up to, and offer advice on

how to do it better. A more powerful force for change, however, may be a case that came before the New York Supreme Court a few weeks ago. Three owners of Leading Edge PCs sued the machines' maker for failing to provide technical support promised in the warranty. If software users begin to take the same robust line - and courts to award class-action damages against companies that ship bug-ridden products

dozens of large software houses might suddenly take reliability more seriously. Yet there is much that could still be done. One

ontion, already taken by

technical questions and answers. Many companies already have such databases, because their products are too complex for hourly paid support staff to know inside out.

A good example can be seen at Netcom, the troubled US Internet service provider. Netcom posts questions and answers on its Web site. But it sorts them according to popularity so that customers can see the burning issues of the day, and can save time by reading the answers and applying them before they encounter the problem.

Yet with larger programs, there are limits to what can be achieved by putting information online. I have used Microsoft's Knowledge Base to solve problems with Word and both times the database's search engine failed to find the answer.

What is needed is a radical change to the industry's approach to the bugs. Instead of hiding their flaws, software companies ought to see that it is in their long-term interests to list them publicly. Consum-ers know that a program occupying millions of lines of code is unlikely to be perfect; if they can look through a list of known bugs before wasting time trying to run something that can never work, they will be grateful.

There is a better response: write software that works and is truly easy to use. Examples covered in this column include PCN, the advertisingbased news network, and AlphaBlox, the ministurised suite of programs for Windows 95. The best case, however, is Intuit's Quicken for Windows. My experience is that this program is as comprehensible as any accounting package can be. When problems come up, the company has a support line where calls are picked up by real people who understand both PCs and accounts. It is sad that this should be so rare. Tim.Jackson pobox.com

# A rickshaw on the infobahn

Bengalis are downloading e-mail from Net to newspaper, writes Martin Mulligan

ow can Bangladeshis desh . . In this newsgroup, enter the global village Internet users from around the of computer networking without computers? Answer: with difficulty. However, a curious partnership between electronic and steam age media in Dhaka, Bangladesh's capital, serves - for the

puter screen." present – as a stop-gap. The Daily Star, an English language newspaper notable for its conservative design, now features a weekly page called "Live from the Internet". Bengalis, famous for their rickshaw driving, are diverting infobahn traffic on to the slip roads of print technology.

The manifesto that heads the

page spells out the idea. "The articles or posts - to use Internet parlance - published in this page come from the Bangladesh Internet news group called soc.culture.bangla-

The word "graveyard" catches my eye and I click on. "I am baried here," reads the text on my computer. I click on the

word "buried" to see what lies

underneath and up comes a

headstone with the inscription: "Here lies a head, trunk, arm . . . may they rest in piece (sic)."

I am browsing through Patchwork Girl, a recent addi-

tion to the slowly expanding

volume of narratives called

"hyperfiction". Hyperfiction is written to interact with the

reader. The text is composed

in layers, meaning that the

words have blocks of text

behind them. Readers are sup-

posed to absorb the story in

any order that catches their

fancy. One hyperfiction writer defines it as "chunks of text

Hyperfiction authors - a

believe their work will save

the written word in the world

of multimedia. They hope the

low overheads of publishing

on the Net will allow them to

reach their public at low cost.

Cyber

A massive effort dedicated

sightings

joined by electronic links".

small band of academic types

world, mostly Bangalees, discuss issues relevant to Bangladesh . . . The Daily Star reprints these posts verbatim (complete with English language errors] - just as they would appear on your com-

The page carries a disclaimer stressing that the Internet "is free from all sorts of censorship and restrictions. It is truly a people's forum" - thus nervously absolving the newspaper of responsibility for the opinions expressed. The Daily Star e-mails replies from readers back to soc culture bangladesh - and so the dialogue continues: an intriguing collaboration between an élite

technology and a mass-market The choice of items is deshi has fallen because of wid-

"Literary fiction is dying,"

says Stuart Moulthrop, a

hyperfiction author. "No one reads any more. To save the written word, we have to use

the Net to access miche audi-

Hyperfiction emerged as an art form in the late 1980s. "One day, when I was writing.

I realised that the paragraphs

didn't have to be exactly in that order," says Michael Joyce, an English professor at

Vassar College and early hypertext author. "I began to

conceive the idea of a more

fluid text, which could be read

in many different ways."

A mini-industry was born.

The software company East-

gate Systems was formed in

1988 to publish hyperfiction on computer disks, and now has 26 titles. Yet despite the

grandiose dreams of hyperfic-

tion writers, many feel it will

be a short-lived art form.

designed to avoid upsetting different cultural groups. But the page can still be disquieting. A recent correspondence, headlined "The Human Laboratory: Who Cares if a Third World Woman Dies?", concerned a birth control study involving surgical implants for women in the slums of Dhaka. The same

page carried other e-mail from Finland, Japan and Australia. Bangladesh is one of two countries in south Asia without a full Internet connection (the other is Bhutan). It is among the world's dozen poorest countries, with a population of 120m and an official literacy rate of less than 30 per

Although annual GDP per capita has risen to an estimated \$236 (£153), average wealth of the typical Bangla-

Hyperfiction reader delights

in a plot that never thickens

Victoria Griffith unravels the tangled threads of Patchwork Girl

ening inequality of income distribution.

While the growth of newspapers in Bangladesh has been startling - there are nearly 1,500 registered newspapers and magazines - computer literacy is scarce in a country experiencing an information famine.

Bangladesh has just six com-mercial Net e-mail providers; an electronic bulletin board system; and the Net news group soc.culture.bangladesh (a news group that is fairly humming in the wake of the country's recent election).

The e-mail providers must make expensive long-distance telephone connections each day to a Net host outside Bangladesh, solely to download and upload e-mail.

Bengali-language home pages and Islam-related discus-

more imaginative presenta-

tions. A true hyperfiction

novel, say authors, would use

the very look of the words

themselves - the colour and

height of the letters, for exam-

being able to present their sto-

three-dimensional form. Ger-

man artist Jeffrey Shaw has already experimented with

three-dimensional text with a

virtual reality simulation that replaced the buildings of a city

block in Manhattan with

letters of the same size. Read-

ers bicycled through the tex-tual landscape, absorbing the feel and look, as well as the

literal meaning, of the words.

hyperfiction on the Internet, however, may be determined

by the willingness of cybersur-

fers to read, rather than to

absorb images. "It seems to me that the Internet is looking

increasingly like television.

says Moulthrop. "I fear that one day text will be shoved

permanently off the screen."

The longer-term success of

Hypertext authors dream of

ple - to convey meaning.

sion groups on the Net are still an experimental stage. although pion-ering efforts are afoot, notably at the Ford

Some see The Daily Star's page as heralding the down of much wider Net awareness in Bangladesh. Others see it as pitiable hitchhiking on the global information highway.

Foundation.

What everyone agrees is that the map of the world has been unsentimentally redrawn by computers. On that map, north America and Europe are hot zones with high per capita computer ownership, while the developing nations tend to be

But linking the Net to a mass-market non-computer medium, such as Dhaka's Daily Star, will at least raise Bangladesh's technological temperature by a few degrees.



What shape is your business in?

New more than ever, successful organisations are the ones that can integrate all of their component parts. They move more swiftly. They're more scept at capturing new opportunities. Andersen Consulting works with tne world's largest, most successibil

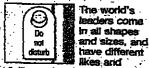
-organisations, helping them reach new performance levels by aligning. their people, processes and techno-

- logy with their business strategy. Using this holistic approach, we'll help reshape your enterprise to make the most of all your strengths.

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#### **BUSINESS TRAVEL**

#### Aim to accommodate



have different likes and dislikas – just like well-hes business travellers. So the latter may care to imitate the former, and make increasingly stringent demands of the

hotels in which they stay. Last week one of Thailand's top hotels arranged a giant-sized bed for Helmut Kohl, the bulky German chancellor, and sanitised the Sultan of Brunei's suite to keep it pollen-free. The chancelor and the sultan were

Asia-Europe summit in Bangkok. In all, the leaders of 25 countries had their most

infimate wishes pandered to. Bangkok's Oriental hotel, by the Chao Phraya river. ensured that Kohi had plenty of room to stretch in bed. "We have had to extend his bed in length and width after getting confirmation he is exceptionally tell and big," a member of the hotel's staff

was quoted as saying by a security source. "We rushed to accommodate him so as not to compromise Thailand's

Security sources added that the Oriental had decked its suites with bouquets of fresh orchids and other exotic Thai flowers. But it used artificial

blooms for the Sultan of Brunel. Pollen makes him sneeze. Another tip from the

top: Thais tove visitors who order Thai wine. At one of the summit's dinners, Chateau de Lost wine, from Thailand's north-eastern Loei province. was served instead of imported French stuff.

Passenger numbers up Poland's state-owned strline Lot says it carried 1.84m passengers last year: 200,000 more on foreign flights than in 1994, and 40,000 more on domestic had a load factor of 69.5 per cent last year, marginally up

#### Meningitis warning

government said last week

Meningitis is the deadliest of four recent epidemics that have killed about 15,000 people in neighbouring Nigeria. Outbreaks of cholera. measles and diamhoes have also been reported in several countries of the Sahel region,

the arid belt on the southern

france of the Sahara. The Niger health ministry said most of the deaths were In southern Gaya region, near

#### government sald it was grappling with multiple epidemics, mainly in the

At least 233 northern Kano state. died from meningitis in Fury at crash record

Anger is growing in Peru January, the over what is seen as a lack of air safety in a country which has suffered a string reports from Lime.

There have been calls from all quarters for a thorough investigation of last Thursday's crash of a 28-year-old Boeing 737-200 the worst air disaster in Peru's history - and for an overhaul of the country's fleet of aircraft.

The fleet is said to be

largely out of date, over-used and poorly maintained. Some aircraft owned by Peru's six major airlines are as old as 45

All 117 passengers and six crew members died when a domestic flight came down about 600 miles south of Lima. The outrage was that the cause was a faulty turbine that burst into flames minutes before the

alreraft hit a hillside. Last November, the US Federal Aviation Administration listed Peru as one of a few countries worldwide that tailed to meet international aviation safet

Likely weather in the leading business centres.

Michael Skapinker is impressed by Singapore's Changi airport, where the staff smile, greet and thank passengers

#### hangi of Singapore wins most of the World's Best Airport competitions and those won by anyone else are not worth bothering with.

At which other airport can you soak in a Jacuzzi overlooking the runway? There might be another airport with a karaoke lounge, but do its ter-minal buildings boast emperor angel fish and feather duster

The fish have imperially square heads and the feather duster worms waft back and forth in the current. They, with other local aquatic life, are in the Changi aquariums which, along with the foun-tains and the spacious terminals, make this airport such a pleasure to use.

Not that Changi is perfect. The assistant in the clothes shop at Terminal Two was astonishingly snooty. The luggage trolleys are awkward: counter-intuitively, you have to press the brake handle down to get the trolleys to move and let go to stop them. And even though the airport is far less congested than many of its competitors, my Singapore Airlines flight to London left 45

minutes late. Getting to and from the airport can be a problem. Changi is not connected to the underground railway system. There is a bus from the airport to the city centre and the large hotels. It is extremely good value at S\$5 (£2.30), but Singapore's traffic means that the service's time-keeping is erratic. A taxi from the city

# A constant search for perfection centre to the airport costs only

S\$15 but finding one, particu-larly at the large hotels, can be But the impressive thing about Changi's managers is that they know they are not perfect. They constantly send their staff to London's Heathrow, Amsterdam's Schiphol and Frankfurt - airports which

occupy second, third or fourth

places in properly organised

"Heathrow - the way they handle that volume of traffic." marvels Ng Wee Hiong, Changi's deputy director-general.
"We have a great deal of respect for Heathrow and Kai Tak in Hong Kong. We have facilities they don't have. We admire them for the effort they make with the limitations that they have, the way they inno-vate in the face of difficulties."

tage Changi has that Heathrow and Kai Tak do not is space. The reason Changi has so much space is that is it largely built on land reclaimed from the sea. About half of its first terminal, which opened in 1990

1981 is built on reclaimed land. So is the whole of the second terminal, which opened in From the airport buildings, one can see the heavy machin-

should open early in the next century. Operating under a more restrictive political system than many of its competitors, Changi does not have to submit its third terminal plans to a public inquiry.

This is a huge advantage over Heathrow, which wants to build a fifth terminal. Its managers are at present arguing their case before a public

to build Terminal Three, which cratic that inquiry officials provide free office space to those opponents of the terminal who cannot afford their own. In contrast to Heathrow's

restrictions on night flights, Changi operates 24 hours a day. Aircraft approaching and leaving the airport fly over the sea rather than over housing. Changi handled 23m passengers last year compared with Heathrow's 54m. The differ-

expanding its existing terminals to cope with more. "Our policy is to keep capacity ahead of demand," Ng says. Unlike Heathrow or Schip-

hol, Changi does not see itself as a transit airport. Only about 20 per cent of its passengers change aircraft at Changi. This compares with about a third at Heathrow and 40 per cent at Schiphol. Ng says Changi ence is that while Heathrow is

bursting, Changi has enough

space to deal with 35m and is

tion of transit passengers at its existing level. The airport's primary purpose, he says, is to serve visitors to the island and the large number of Singapo-reans who travel abroad. There are facilities for tran-

sit passengers, the Jacuzzi among them. There is also a swimming pool which transit passengers can use, as well as a putting green, a gym and a sauna. The airport has a 50-room hotel for transit passengers. The karaoke lounge is open from 3pm to 11pm. But as a government-owned airport, Changi's attitude to

transit passengers is that they should be spending their holidays in Singapore rather than passing through. Anyone who is in the airport for a stopover of more than four hours is offered a free coach tour of the

The two-hour tour takes in Little India and Chinatown and other sites. The disadvantage of the tours - the airport runs eight a day - is that passengers cannot get off the coach because they are in transit and have not been through cus-toms and immigration. The dea is to give them a taste of Singapore in the hope that they will come back.

The food at the airport should provide enough encouragement, as should the attitude of the staff. At the employees' entrance to the airport, there is a mural exhorting them: "Greet, smile, thank." They all do, except for the assistant in the clothes

# Sex kitten takes the cream

Thatever else changes in the airline industry, the Singapore Girl will go on, writes Michael Skapinker. Some might regard Singapore Airlines' longrunning advertising campaign. with its sex kitten air hostesses, as inappropriate, but the carrier has no intention of

written about it and that people continue to talk about it vindicates our decision to con-tinue with it." says Cheong Choong Kong, the airline's managing director.

abandoning it. "That so much has been service. For a start, some of the cabin crew are men, and many of the women are older

"People recognise the Singapore Airlines ad. In surveys on the ability to recollect ads, we're always No 1. So, no, I don't have plans to change our

it's a symbol. You shouldn't take it too seriously. We want something that represents care and, after all these years. that's something women still do better than men." However effective Singapore

Girl has been as an advertising campaign, anyone who has used the airline knows that it does not reflect the reality of Singapore Airlines'

than those in the advertisements. Nor are Singapore's flight attendants flirtatious or coquettish. What they are is supremely professional, with an extraordinary ability to remember passengers'

Singapore is one of the world's few consistently profitable airlines. It ploughs billions into new aircraft. How has Singapore managed to make profits in an industry where losing money is the norm? "We're asked that question a lot," says Cheong. "I don't think our values are different from those of other airlines. They're the same motherhood values as every-

them. Or perhaps we have more luck." But Cheong acknowledges there is one difference between his airline and those in Europe, the US and Australia. He says: "The bottom line is we are never in danger of a

one else has. Perhaps we're

more religious in applying

This does not, however. mean that he does not have to worry about industrial relations. Singapore has a labour shortage and Cheong has to go abroad to ensure that the airline operates cost-effectively. Some of the airline's accounting services are done in Beijing. The airline has a joint computer software venture with Tata of India. Singapore faces growing

competition from British Airways, the world's other consistently profitable airline, which is upgrading its first and business class cabins. But if BA wants to learn something from its rival, it could look at how the Singapore staff manage to ensure that the cabins and toilets are as clean on arrival as they were on departure.



In the swim: transit passengers can have a Jacuzzi at Changi



cheques and passport to you come hell or high water "services





ELIO YULIO ELI ELIEUT



Capuano and Maria Dragoni, and the

first night is on Friday.

The George Ortiz collection of antiquities comes to the Altes Museum on Thursday after showings in London, St. Petersburg and Moscow SICE Greece les m the neart of this outstanding private collection, but there: are also treasures from encient Rome and Byzantium, Two of the most strating exhibits are a pronze bust of the Egyptian Characit Amenerihet til from the 18th century BC. and a marble sculpture of a

FRANKFURT Photography in the context of contempo art is the thems of a major exhibition (left) opening on Saturday at the Schim Kunsthalle More then 80 artists will show works including photographic series projections, commen advertising images combinations of text and image, threedimensional installations and photographs created with 19th century techniques



LONDON The musical "Tommy" opens at the Shaftesbury Theatre tomorrow night. First shown on Broadway in 1993, this features music and lyrics by Pete Townshend, formerly of The Who. Paul Keating (right) leads the

London cast. The Abbey Theatre Dublin's production of Frank McGuinness's play "Observe the Sons of Ulster Marching Toward the Somme (above), directed by Patrick Mason, comes to the Barbican Theatre on

Percussionist Trilok Gurtu is one of the most sought after sidemen in jazz. On Tuesday he brings his own band to the South Bank at the the

he Wagners are at war over their inheritance. Richard Wagner founded the Bayreuth festival in 1876, to provide the best possible conditions for his art. After he died, his wife and son turned it into a thriving family business, and Bayreuth has since established itself as the world's most celebrated music festival. Now, amid accusations that it has become stagnant, a bitter struggle is underway for the Succession

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> Nike Wagner, great-grandaughter of the composer, has staked her claim to run the festival. She says it has lost its way under her 76-year old uncle Wolfgang, who has had sole charge for the past 30 years. Wolfgang has tried to sideline Nike and other members of the family, saying none is worthy to succeed him. Nike is the first to challenge him openly. A 50-year old author and academic, she says it is time to sort out the festival's future and set it on the path to artistic renewal.

> Her controversial stance has unsettled Germany's cultural establishment, which treats the succession as taboo. It also puts her at odds with her cousin Eva. Wolfgang's daughter by his first marriage, who is the favourite to succeed him. Unlike Nike, Eva has spent all her working life in the opera business. Although she has long been estranged from her father, Eva has steered clear of any controversy which could damage her chances, and prefers not to discuss Bayreuth.

The next festival director will be elected by the governing board of the Richard Wagner Foundation comprising representatives of pub-lic funding bodies (18 votes), the Friends of the Festival (two votes), and the Wagner family (four votes). If there is insufficient support for a Wagner, an outside director may be

The rules, drawn up in 1973 with Wolfgang's approval, allow him to remain director for life, and make no provision for illness or senility. This could strengthen the hand of his 51-year old second wife Gudrun. who is thought to harbour amhitions for herself and her 17-year-old daughter Katharina. For the time being Wolfgang enjoys good health, and is busy planning the programme beyond the millennium

Administratively and financially, Wolfgang has made the Bayreuth festival an extraordinary success Far more people apply for tickets than can be satisfied during the five-week run of performances each summer. The Festspielhaus is in pristine condition, and Wagner singers still regard a Bayreuth engagement as the ultimate acco-

While acknowledging Wolfgang's skill as an organiser and salesman, Nike Wagner says he has allowed the festival to stagnate artistically. She cites Wolfgang's own produc-tions and his penchant for international opera stars like Placido Domingo and James Levine. She contrasts this with the pioneering work of her father Wieland, who changed the face of Wagner interpretation in a series of challenging productions at Bayreuth in the



# Bayreuth faces Götterdämmerung

The Wagner family is in turmoil over its musical inheritance, Andrew Clark reports

1950s and early 1960s. Wieland died never been played there he knows it, but he continues to use Ellen, Nike says, "there was room same school, Nike and Eva would in 1966, leaving his younger brother festival productions of Wagner it because he has nothing valid to for only one woman - the daughter make a perfect combination. But

Wolfgang in control. Nike says Wolfgang's sole concern has been to keep everyone happy. "The last time the festival ed itself was after the war but that was 50 years ago. Bayreuth is no longer at the cutting edge of Wagner interpretation. The most interesting performances now take place elsewhere."

She believes Bayreuth should be a festival of ideas, constantly questioning the relevance of Wagner's works. Instead, it has become a marvellous commercial machine which does scant justice to her great-grandfather's injunction -Kinder, schafft Neues!" (Children, create something new). "Bayreuth has lost sight of its purpose," says Nike. "What do we want of Wagner today? You can't just play Wagner and make a festival of it – that's too easy. Wagner only survives if you know why you are performing it

and what you want of it." She says the constant repetition of a narrow repertoire - The Ring and six other operas - gives a distorted image of the composer. "We need to rethink Wagner. The challenge is to change without destroy-

ing." Her manifesto calls for: performances of all Wagner's works at Bayreuth, including Rienzi and other early operas which have

■ fringe events setting Wagner in the context of his contemporaries and tracing his influence on modern composers like Stockhausen a short winter festival at which

operas with Wagnerian echoes, such as Debussy's Pelléas et Mélisande, could be performed ■ a fixed-term contract of 10

years for the festival director. Nike's problem is that she is little known by the mayor of Bayreuth and other key figures in the Richard Wagner Foundation. At present she can only count on the support of her mother and three siblings. At least 10 other Wagners will have a say, and the family is notorious for

Her lack of management experience also puts her at a disadvantage. Nike says she would build a team of professionals and seek the advice of "creative staff" - she mentions the composer Wolfgang Ribm and the conductor Roger Norrington. Her husband, the Swiss musicologist Jürg Stenzi, would have a role - as would her brother Wolf Siegfried, whose career as a stage director is in limbo.

Dismissing Wolfgang's argument that none of her generation is qualified, Nike says, "It's ridiculous and

operas using a period instrument say against us. If you consider his or the new wife. It was a power Nike rules out a partnership: "It own career and that of my father, they had no qualifications when they restarted the festival in 1951."

> he says it was legitimate to talk about qualifications when members of her generation were "But now we are young middle-aged and have made our way in the world. Eva is well-qualified on the management side. whereas I come from the intellectual side. My brother has done stage productions. Even Gottfried, Wolfgang's son, has done a lot. We all have an international horizon. we've worked in different countries, we can speak other languages I don't want to show off, but the horizon of our generation is infinitely broader than that of Wolfgang and Wieland, who were brought up with the narrow ideology of the Third Reich.'

Her other point is that there is an "unspoken contract" for the family business to be handed down from one generation to the next. She says Wolfgang started to do this with Eva - allowing her to work at the Festspielhaus when she was young. but then banishing her when Gudrun entered his life in the mid-1970s. After he divorced his first wife struggle, the Battle of the Queens was already there. As a result, we all feel disinherited. The Wagner family is what makes Bayreuth different from other opera theatres. But Wolfgang thinks the family only brings him trouble.

Nike's published writings on Wagner and other creative artists demonstrate a clear analytical mind. She talks about the need to take Wagner more seriously. "If I became festival director, I wouldn't hire scandalous names and let them do whatever. Producers would show us their ideas and we would discuss them. We would pair conductors and stage directors who can work together constructively. We would continue to reserve the Festspielhaus for Wagner, but we could do other things in other performing areas. Let's do a big Meyerbeer next to Rienzi, let's work out Liszt in Bayreuth.

Unlike Gottfried, whose much publicised festival critique is not taken seriously in Wagner family circles. Nike speaks with calm authority. An elegant, emancipated woman, she has some of her father's visionary qualities, just as Eva has inherited Wolfgang's practical skills. Born within two months of each other and educated at the

might pave the way for future quarrels if we repeat the pattern of our fathers. Someone has to have ultimate authority."

Nike's reference to the bad blood between Wieland and Wolfgang suggests the wounds have not yet healed on her side of the family. "In the eyes of the world, the two brothers in power looked good, but their relationship deteriorated over the years. Wolfgang had equal rights to do stage productions, and Wieland could not tolerate his younger brother's plagiarism - the way Wolfgang imitated the style Wieland invented for Bayreuth, sneaking into his artistic ground, profiting from Wieland's breakthroughs and all his struggles with public opposition.

Nike says she does not blame Wolfgang for clinging on to power "like a little king". She adds, "It's human nature. He's very crafty, and he has his contract sewn up. All we can do is appeal to the conscience of the Richard Wagner Foundation. They are responsible, they rent the Festspielbaus to the director. They know New Bayreuth has become old, that the festival has got stuck in a groove and people are getting tired of it. But they're timid, and that's why they remain silent."

#### beginning of a European tour which travels on to Switzerland. Germany. Austria and Italy. The polyphonic vocal music of Le Mystere des Voix Bulgares comes to the UK this week. starting at the

#### Theatre Hardy's 'Tess'

s far as adapting literary works for the stage is concerned, Victorian novels A.often pose the greatest problems. How to compress such broad canvases, such prolonged narratives, into two-and-a-half hours? In the case of Colin Mayes' and Mark Clements' adaptation of Thomas Hardy's povel, the answer is not to; their Tess of the D'Urbervilles clocks in at nearly 31/2 hours. By focusing solely on the story of Tess herself, Mayes and Clements

hack a clear and steady path through Hardy's sprawling richness. The few scenes in which she does not appear constitute only brief sidelights. The numerous locations are accommodated well by Mayes' looming stone and timber set, which does service as a village square, a row of milking stalls, a country lane and, incredibbly, even passes muster as Stonehenge in the closing scene.

The adapters' greatest obstacle is in fashioning a theatrical whole out of the book. Tess's end is undoubtedly dramatic but in many ways is simply that - an end rather than a climax. Her saga of material and spiritual hardship has little variation in tone or intensity, even during her courtship by the idealistic, priggish Angel Clare. Paced with such a consistent emotional register, the audience never wholly gives itself up to the tale: on Tess's murder of her cold-hearted, two-time seducer, Alec D'Urberville, the drip of his blood through the ceiling actually raised a laugh.

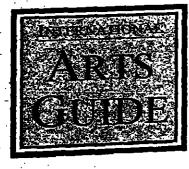
This is a modern reaction, a reluctance to submit to melodrama. entirely to circumvent such defences. As director, Clements is content to let the story do the work, aiming for clarity and through line rather than any great

Tara Woodward ably shoulders the heavy obligations of the role of Tess but cannot succeed in making her propensity for suffering attractive; where a reader may consistently sympathise with her, an audience finds progressively greater difficulty in granting her that particular strain of theatrical identification. Similarly, Chris Larkins' Angel Clare is hopelessly unrealistic and, after Alec D'Urberville's second fall from grace, Blaise Doran so immerses himself in his character's melodramatic wickedness that he all but twirls his moustache.

Neither a substitute for the novel nor a theatrical work in itself, this Tess makes for a long, narrow evening. It tells the story, but at the expense of both intellectual and emotional engagement.

Ian Shuttleworth

At Derby Playhouse until March 16



#### ■ AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573

 Tokyo Quartet: perform Mozart's String Quartet No.18 in A. Bartók's String Quartet No.2, and Ravel's String Quartet in F; 8.15pm; Mar 7,

#### **ATHENS**

CONCERT Athens Concert Hall Tel: 30-1-7282333 Greek Music Series: guitarists Evangelos Asimakopoulos and Liza Zoe, planists Diana Vranoussi and Viky Stylianou, cellist Dimitris Patras and mezzo-soprano Maria Karayevreki perform works by the Greek composers Counadis, Christou, Antoniou, Tenidis and Travios; 8,30pm; Mar 7

**BERLIN** CONCERT Konzerthaus Tet: 49-30-203092100/01

 Rundfunk-Sinfonieorchester Berlin: with conductor Rafael Frühbeck de Burgos and pianist André Watts perform works by Ravel, Beethoven and Peris; Spm: Mar 7; 9 (4pm) DANCE Deutsche Oper Berlin

Tel: 49-30-3438401 Les intermittences du Coeur: a choreography by Roland Petit to music by Saint-Saèns, Wagner and others, performed by the ba the Deutsche Oper Berlin. Soloists înclude Lisa Culium, Mayumi

Katsumata and Franck Balbi;

7,30pm; Mar 7 THEATRE Theater am Kurfürstendamm Tel: 49-30-8813020

 Time of My Life: by Ayckbourn (in German). Directed by Martin Woelffer, starring Nicole Heesters Joachim Bliese, Fritz Bleuler and Sabine Becker; Mon - Sat 8pm, Sun 6pm, Apr 7: 4.30pm & 8pm; from Mar 8 to May 12

#### ■ BONN

DANCE Oper der Stadt Bonn Tel: 49-228-7281 Ein Sommernachtstraum: a choreography by Yuri Vamos to music by Mendelssohn, performed by the Ballett Bonn; 8pm; Mar 5

#### BRUSSELS

**OPERA** Théâtre Royal de la Monnaie Tel: 32-2-2291200 ● La Calisto: by Cavalif. Conducted by René Jacobs and performed by La Monnale. Soloists include Olivier Lallouette, Rosemary Joshus, Brian

Asawa, Phyllis Pancella and Barry Banks; 7.30pm; Mar 6, 9

#### ■ COPENHAGEN DANCE

Det Kongelige Teater Tel: 45-33 14 10 02 The Triumph of Death: a choreography by Flemming Flindt ifter lonesco's play Jeux de Massacre, to music by Thomas Koppel. This work for 36 dancers is performed by the Royal Danish Ballet; 8pm; Mar 5, 6, 7, 8

#### **FRANKFURT**

CONCERT Jahrhunderthalle Hoechst Tel: 49-69-3601240 The London Philhamionic: with conductor Franz Welser-Möst perform Brahms' Symphony No.3, and suites 1 and 2 from Ravel's Daphnis et Chloè; 8pm; Mar 5

#### GOTHENBURG

CONCERT Göteborgs Konserthus Tel: 46-31-7787800 Göteborgs Symfoniker: with conductor Jin Wang and soprano Rosemany Hardy perform the overture to Schreker's Die Gezeichneten, Schoenberg's Erwartung, Lehár's Gold und Silber, and excerpts from Mahler's Symphony No.10; 7pm; Mar 7

#### **HAMBURG**

Hamburgische Staatsoper Tel: 49-40-351721 Tosca: by Puccini. Conducted by Marc Albrecht and performed by the Hamburg Oper. Soloists include Maria Guleghina, Luis Lima, Franz Grundheber, Johann Titl and Simon Yang: 7,30pm; Mar 7, 9

#### LAUSANNE

CONCERT Théâtre Municipa Tel: 41-21-3101600

 Die Winterreise: by Schubert. Performed by bass Kurt Moll and pianist Stefan Irmler, 8.30pm; Mar 6

CONCERT Gewandhaus zu Leipzig Tel: 49-341-12700 I Musici di Roma: and violinist M. Sirbu perform works by Respighi, Rota and Vivaldi; 8pm; Mar 6

#### LONDON

**■ LEIPZIG** 

CONCERT Barbican Hall Tel: 44-171-6388891 The London Symphony Orchestra: with conductor David Robertson and percussionists Steve Reich and Neil Percy perform Reich's Clapping Music, Eight Lines, Sextet and Tehillim; 7.30pm; Mar 6 Wigmore Hall Tel: 44-171-9352141 The Hannover Band: with director/violinist Andrew Manze and flutist Rachel Brown perform works by Handel, J.S. Bach, Vivaldi and Corelli: 7.30om: Mar 5 EXHIBITION

Institute of Contemporary Arts -ICA Galleries Tel: 44-171-9303647 Pandaemonium: in film's 100th year, this display celebrates the versatility of the moving image both on and off the screen. The

display includes works by Michael Curran, Jaki Irvin, Keith Tyson, Mark Wallinger and Gillian Wearing. From Mar 7 to Apr 21

#### London Coliseum Tel: 44-171-8360111 Die Zauberflöte: by Mozart. Conducted by Christopher Moulds and performed by the English

National Opera. Soloists include lan Bostridge, Janice Watson and Peter Snipp; 7.30pm; Mar 6 Royal Opera House - Covent Garden Tel: 44-171-2129234 Götterdämmerung: by Wagner. Conducted by Jun Märkl and performed by The Royal Opera. Soloists include Anne Evans, Vivian Tlemey, Jane Henschel and Judith

#### Howarth; 4,30pm; Mar 5 ■ NEW YORK

CONCERT Carnegie Hall Tel: 1-212-247-7800 Maurizio Pollini: the planist performs sonatas Nos. 22, 23, 24, 25 and 26 by Beethoven; 7.30pm; Mar 8 **OPERA** 

Metropolitan Opera House Tel: 1-212-362-6000 Madama Butterfly: by Puccini. Conducted by Julius Rudel and performed by the Metropolitan Opera. Soloists include Diana Soviero, Wendy White, Richard Leech and Juan Pons; 8pm; Mar 6. 9 (1,30pm) New York State Theater

Tel: 1-212-875-5570 Tosca: by Puccini. Conducted by Joseph Colaneri and performed by the New York City Opera. Soloists include Inma Egido, Allan Glassman. Mark Delavan, Richard Woods and

Joseph McKee; 8pm; Mar 5

#### PARIS **EXHIBITION**

Centre Georges Pompidou Tel: 33-1-44 78 12 33 Miguel Barceló: Impred'Afrique (1986-1995): exhibition featuring some 60 gouaches and watercolours, 15 small paintings,

approximately 20 drawing-books and three ceramic sculptures. From Mar 6 to Apr 29

#### **STOCKHOLM** DANCE

Kungliga Testern - Royal Swedish Opera House Tel: 46-8-7914300 Don Quixote: a choreography by Rudolf Nureyev after Marius Petipa to music by Minkus/Lanchberry, performed by the Royal Swedish Ballet; 7.30pm; Mar 5, 8

#### VIENNA

**OPERA** 

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Toniaht

nist, offering himself as a sav-

iour for the supposedly

down-trodden masses. Graphs and tables showing

how badly the poor are doing

are endlessly reproduced in

government reports and the

media. This year's Economic

Report of the President is typi-

cal of the genre. A promi-nently displayed bar chart

shows that the real incomes of

the bottom 20 per cent of fami-

lies fell 15 per cent between 1979 and 1993, while the top

fifth enjoyed an 18 per cent

real increase. The headline

reads: "Real incomes have

fallen or stagnated for most American families since 1979."

advisers, like other comments.

tors, fail to put such figures

into context. There is a host of

reasons for doubting that data

on wages and household

incomes accurately measure

changes in living standards.

Income growth, for example,

is almost certainly under-stated because official indices overstate inflation. But set

aside such objections, which I

discussed in this column on

February 19. Suppose the offi-

cial figures are 100 per cent

reliable. They still prove much

less than the doomsters would

What does it mean to say

the incomes of the bottom 20

per cent fell by 15 per cent? A

natural assumption is that an

unfortunate group of people at

the bottom of the income lad-

der grew steadily poorer. A

lucky group at the top, mean-

while, got steadily richer. We could draw such conclu-

sions if the US were a caste

society, if people were frozen

in particular income groups.

But this is not the case. The

have us believe.

Yet President Clinton's

Michael Prowse · America

# Upwardly mobile

The gnashing of teeth over income inequality ignores data showing the poor often move into higher income brackets

US is a highly mobile society.

The people who comprise the bottom 20 per cent today are three income quintiles and thus achieved a "middle class" the top quintile. The upward the top quintile is somewhat less promotive in somewhat less promotive in the lifestyle. The rich are getting richer and the poor are getting bottom 20 per cent today are not the same individuals as those at the bottom of the pile poorer. There is, conventional wisdom asserts, no more damning critique of modern America. The growth of in 1979. Most people who poninequality is seen as a social tificate on income trends erroevil of gargantuan propor-tions. It is a pivotal issue in the Republican presidential neously compare the fortunes of different sets of people. The only way to find out what is happening to real peoprimaries, with Mr Pat Buchanan, the conservative colum-

ple is to track specific individuals over time. Such tracking data is available and it paints a far more encouraging picture than the conventional charts. In a fascinating recent paper\*, Michael Cox and Richard Alm of the Federal Reserve Bank of Dallas analyse survey data compiled by the University of Michigan.

The Michigan data show how the fortunes of a specific group of people (chosen to be representative of the popula-tion as a whole) have changed over time. We can see precisely how people at different income levels fared between 1975 and 1991 (more recent data are not yet available), a period when the poor supposedly got poorer.

The results are startling. As the table shows, only 5 per cent of those in the bottom 20 per cent in 1975 were still there in 1991. The great majority had moved into the top of the poorest in 1975 had reached the top 20 per cent by

1991. The data suggest that being poor is not a permanent state for most people: less than 0.5 per cent of the Michigan sample showed up in the bottom quintile every year from 1975 to 1991. Those who started poor in

1975 typically enjoyed a much faster growth of income than those who started in the top quintile. People in the bottom 20 per cent enjoyed a \$25,322 average gain in real income over the period. The increase for those starting in the top quintile was a mere \$3,974. Many of those starting out poor got richer quickly: twothirds of those in the bottom quintile in 1975 reached the top 60 per cent of the income distribution within six years.

Other attempts to track the income of real individuals paint a similar picture. In a 1992 study, the US Treasury analysed the period 1979 to 1988 using data from income tax returns. It also showed the vast majority of those in the lowest income bracket in 1979 rose to a higher grouping by 1988; two-thirds reached the middle of the income distribu-

#### Moving up: the poor get richer faster

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	1	4th	1.9	9.3	18.8	32.6	37.4
	4.7	3rd (middle)	3.3	19.3	28.3	30.1	19.0
* 24	\$35.4	2nd	42	23.5	20.3	25.2	26.8
		1st (lowest)	5.1	14%	21.0	30.3	29.0
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		quintile 1975 (\$ 1993) 5th (highest)	1975 1975 45,704 22,423	<b>b</b>	1991		gain 3,974 8,889
		quintile 1975 (\$ 1993) 5th (highest) 4th 3rd (middle) 2nd 1st (lowest)	45,704 45,704 22,423 13,030 6,291 1,153	# ************************************	1991 49,678 31,292 22,394		gain 3,974 8,889 9,274
		quintile 1975 (\$ 1993) 5th (highest) 4th 3rd (mrddie) 2nd	45,704 45,704 22,423 13,030 6,291 1,153	# ************************************	1991 49,678 31,292 22,394 28,373		gain 3,974 8,889 9,274 22,082

nounced than in the Michigan sample because the period covered is much shorter.

The tracking studies con-firm the US remains a land of opportunity. At any moment the income distribution is far from equal. But people are moving up (and down) all the time. Mr Cox, economic adviser at the Dallas Fed, points out that this partly reflects normal life-cycle changes.

Most young people (including future doctors, lawyers and company presidents) begin working life in the bottom 20 per cent, either as stu-dents or relatively unskilled entrants to the labour force. As their skills and experience grow, they rise up the income distribution; income peaks during middle age and then falls during retirement. The discrepancy between starting and peak earnings has risen sharply in recent decades, accounting for some of the rise in overall inequality.

Inequality seems a worse problem in the US than elsewhere partly because it has an unusually liberal immigration policy. The bottom income tier is constantly being replenished with new waves of immigrants, many of whom arrive in the US with no skills or assets. But they typically

do not stay poor for long.

It would be wrong to conclude from the Cox and Alm study that nothing needs to be done to help the poor. Everyone agrees that improvements in education and training are important. But their analysis demolishes the notion that there is a rigid divide between the "haves" and the "have nots". And it shows that much of the pessimism expressed by politicians reflects an inability to grasp the meaning of simple statistics.

\*By Our Own Bootstraps, from the Federal Reserve Bank of Dallas, 2200 N Pearl Street, Dallas, Texas, 75201, US.

#### LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +14 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

#### Challenge to realise energy savings

From Sir Frank Gibb. Sir, Your editorial on "Green Labour" (February 28) contains a point which need clarifying. I would agree that energy efficiency measures usually require up-front capital investment, but it does not necessarily follow that other sources are used less efficiently and that the energy efficiency industry is

low-technology.

An example is the condensing boiler. These use the latest technology to produce 15-20 per cent more efficient use of fuel. Though the up-front cost of the boiler is higher, savings in fuel cost more than compensate for this. Another example is the energy efficient compact fluorescent light which uses an advanced technology that is being constantly improved. These lights use a fifth of the energy required by normal tungsten filament bulbs for the same lighting levels.

The Energy Saving Trust was set up by the government and the energy companies to promote the efficient use of energy in the UK. It is constantly looking for the technological advances that have proved effective in using energy efficiently. The trust has many examples which show costs of energy efficiency measures are cheaper than the

The biggest question facing the UK is not whether energy efficiency is too expensive, but how the country is going best to finance the initial investment in energy efficiency, so that, as a whole, it can benefit from the resulting energy cost savings.

cost of energy supply.

Frank Gibb. chairman, Energy Saving Trust, 11-12 Buckingham Gate, London SW1E 6LB, UK

#### National defence policies decided in Brussels sure way to EU split

From Mr Russell Lewis. Sir, Your leader "An outline for EU reforms" (February 28) asserts that the European Commission's proposal to abolish the national veto "may be less earth-shattering than it sounds". There can be few areas of national policy more vital than foreign, security and defence policy. It is undeniable that the national interests of member states differ widely.

To give one example: do we agree with Chancellor Kohl's current assertive pro-Yeltsin policy in Russia's elections? There is no surer way of creating the conditions in which the European Union will split disastrously than by allowing national parliaments and governments which are responsible for the safety of their people and servicemen to be outvoted behind closed

You cite agriculture as an example of an area in which majority voting is already used and by implication with success. Surely this is the kind of "success" we can do without in foreign affairs and defence?

Russell Lewis, director, The European Foundation. 61 Pail Mall, London SW1, UK

#### Not intimidated after a whirlwind tour

From Mr W. R. Hutton. Sir, I have always been a little intimidated by your paper's illustrious name. So I felt a small amount of awe when I opened the pages for the very first time, and read Edward Mortimer's column entitled "Surfeit of good things" (February 28). His opening proposition - "Free economics is a necessary condition for free politics. But you can have too much of a good thing." - was one I've been grappling with for a long time, and so I settled back, in full focus, for his weighty

discourse. To my amazement, his support for the above claim involved an analysis of: Pat

Buchanan, the United Nations, unhappy Americans finding jobs in a changing economy. Russians, a Serb gunner in Adidas sneakers, the Islamic Jihad, Portugal's 1974 revolution, Shakespeare and McDonald's hamburgers.

His final and only real defence of "liberalism" (stated three times in three different ways, I might add) was: "If every choice is left to the market, the right to vote becomes meaningless, because the people you elect have no power to change anything."

This, when boiled down, becomes the redundancy: the problem with getting rid of statist policies is that it interferes with the state's

control of things. While I did enjoy his whirlwind tour of recent history, I do not believe I gained any new insights into the application of the philosophy of politics from Mr Mortimer.

For those details I may have to start reading the works of Aristotle, Jefferson, Ludwig von Misis, and rereading the works of Avn Rand. But I will not be intimidated

William R. Hutton. 2146 Sunnyvale Drive, Qakville, Ontario. Canada

#### **Employed already bearing the costs**

From Mr Peter Robinson Sir, I greatly enjoyed Pamela Meadows' contribution to the debate on unemployment ("When growth fails the unemployed", February 27). She quite rightly pointed out that in order to reduce unemployment, those who have jobs must bear some costs in one of three ways: in the form of lower wages, higher taxes or higher prices.

Is this not exactly what has happened in the last three years? The growth in wages has been very subdued and the government has raised taxes

significantly, not to fund job programmes, but to achieve a necessary rebalancing of fiscal and monetary policy. And the result? Three years

of steady economic recovery delivering rising employment and declining unemployment, without any of the inflation or current account problems which derailed the Lawson boom. Unfortunately, those in work do not seem to like this benign recovery. The combination of subdued wage growth and rising taxes meant that in 1995 real take home pay

for the employed fell for the

why a balanced sustainable recovery has co-existed alongside a feelbad factor. The challenge is how to

first time since 1982. Hence.

sustain this recovery, and how to persuade the politicians to level with the electorate by delivering the message that a sustained recovery demands continued restraint by those in

Peter Robinson, Centre for Economic London School of Economics, Houghton Street, London WC2A 2AE, UK

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# The vision of a heretic

Larry Ellison is a personal computer heretic. Rather than cheering for the latest, fastest peers do - the chairman and chief executive of Oracle insists that PCs are already far

too expensive and complex. For the past six months, Ellison has been energetically promoting the concept of a network computer (an NC) - a \$500 machine that, when linked to the Internet or a corporate network, could substitute for a multimedia PC costing at least four times as

much.
Last week, defying industry sceptics who said it would be impossible to build a multimedia computer for such a price, Ellison demonstrated a working prototype NC built with parts costing less than

Before an audience of software developers in San Francisco, Ellison put the NC through its paces, accessing the World Wide Web, sending and receiving electronic mail and performing standard jobs

such as word processing.

The NC not only matched the performance of a PC but, in Playing video and sound clips from Internet pages, for exam-ple, is much simpler and quicker on an NC because the signals are played directly as they are received over the Internet.

This eliminates the cumbersome PC approach which involves downloading the signals to PC memory, storing them on disk and then processing them with a

"player" program. "This is what Bill Gates has called a 'dumb terminal'," Ellison quipped as the NC fired up a video of white-water rafters, accompanied by loud CD-quality music. Gates, chairman and chief executive of Microsoft, the leading PC software supplier, has been scathing about "Larry's vision" for NCs.

The NC turns the concept of a PC on its head instead of nutting computer pages and

putting computer power and numerous application programs on every desk, the NC minimises the desktop unit and relies heavily upon the power of network "servers" -larger computers that store data and software and service the needs of all users linked to

In the corporate setting, the NC could be linked to an office "local area network". For the computer at home, the NC would be hooked up to the

Oracle is promoting a cheaper alternative to the personal computer, says Louise Kehoe



LETTY Ellison: 'There is a gigantic market in homes for NCs'

"NC will never replace the PC", Ellison contends that NC sales will overtake PC sales by the end of the decade. "There is an enormous market in corporations, an enormous and important market in schools. and a gigantic market in homes for NCs," he says. "I personally think that there will be more NCs sold in the year 2000 than PCs."

He voices complaints about PCs that are seldom heard within the computer industry, but all too familiar among PC buyers. The PC is expensive to own, he says, and too complex and difficult to use. NC manuals, he insists, will be no more than eight pages long.

He likens the 15-year-old PC to "an old house that has been and the likens the seen and the seen and

continually remodeled". In con-trast, "the NC has been invented in the 1990s to take advantage of the proliferation of computer networks".

He says: "If you design a computer that assumes the

end up with an entirely different computer than the PC. You design a device that is like a TV, utterly worthless without the network. But because there are networks, these devices are simple. low cost and enor-

While Oracle has developed the basic software needed to get the NC off the ground, the company's primary motive is to sell more of its flagship database programs. "The NC should create demand for more servers and that is what we do server software," said Elli-

Oracle has no plans to manufacture or market the NC. Instead, Ellison has spent the past few weeks touting the product to prospective computer and electronics manufacturers. While refusing to name any companies that to name any companies that will make NCs, he claims that NCs and NC components will or or of the computer that assumes the the top computer companies in While admitting that the existence of a network, you Japan. Korea, Taiwan,

North America and Europe. Already, suppliers of components used in the prototype NC big new market. In particular, Advanced Risc Machines, a sister company of UK-based Acorn Computer, is hoping to break into the mass market with its high-speed, low-power

microprocessor chips.

Even as he demonstrated the prototype NC, built using ARM's chip. Ellison announced his company was "working hard" to ensure that new models based on Intel Pentium chips would be available "at the same time or before" the ARM-based version was on the market.

Many manufacturers of PC circuit boards, which use Intel chips, could quickly reconfigure these products to make

NCs, Ellison explained. The point is telling. From the perspective of computer manufacturers, the NC is little more than a stripped down PC. Indeed, although Ellison claims to have persuaded Intel of the benefits of the NC, the world's largest chip maker sounds less than

enthusiastic.
"We still think the main thrust for Internet access is a high-performance PC, Intel said. While the chip maker will not turn away business if demand for NCs materialises, it still regards the NC as a "niche product" that might achieve sales of a few hundred thousand a year rather than the tens of millions that Oracle

is predicting.

Moreover, it seems unlikely that NCs using Intel chips would sell for \$500, the price Oracle is targeting.
Yet whatever the speed of

the chips, performance of NCs will largely depend on the speed of network connections. In his demonstration, Ellison used a high-speed digital telephone link to show off the NC at its best. In many parts of the world, such digital lines are expensive or unavailable.

Oracle's dream of creating a new category of home and office computers cannot come true until telephone companies or cable TV services upgrade their networks to make high-speed network links more

widely available.

The NC could be the breakthrough computer product of the 1990s, as Ellison suggests. It might also, however, join the ranks of Apple Computer's Newton "personal digital assis-tants" and the interactive tele-vision "set top box" in the

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# Hard decisions for Australia

Australia's Liberal-National mentally putting public finances in order is vital to controlling after an electoral landslide which surprised even its most optimistic supporters. It is far from clear, however, that the new government's commanding majority in the lower house also reflects a solid popular mandate to tackle decisively the country's most

pressing problems.

There is much evidence that voters were swayed less by enthusiasm for the coalition's policies than by disillusionment with the outgoing Labor administration. After 13 years in power, Labor was widely judged to have lost its spark, and Mr Paul Keating, its leader, to have grown too arrogant. Economic malaise also played a big part. Though Austra-lia is in the fifth year of a recovery, unemployment remains above 8 per cent.

Yet the campaign waged by Mr John Howard's coalition offered few fresh ideas. On most policy questions, Mr Howard either implicitly endorsed Labor's approach or obfuscated. His caution is understandable, after his party's mauling at the 1993 election when it espoused sweeping economic reform. But the tactic cannot help him as prime minister. Among the most urgent tasks is to attack an underlying annual budget deficit now running at A\$9bn, or 2 per cent of gross domestic product. The shortfall is disturbingly large at this stage of the economic cycle. More fundain order is vital to controlling Australia's large debt burden and raising its chronically low savings

Doing so will require tough choices, for which the coalition has poorly prepared the electorate.
To slash spending, after promising bigger hand-outs during the campaign, would invite public cynicism. Measures to increase budget revenues - and redress a fiscal structure which unduly favours consumption over productive investment - would prove equally controversial. All the more so if they involved the economically sensible option of a new indirect tax, which voters overwhelmingly rejected only three years ago.

Mr Howard's government faces other obstacles. Despite its strength in the lower house, minority parties retain the bal-ance of power in the senate. They oppose the coalition's proposal partially to privatise Telstra, the telecommunications group, and may resist its plans for labour

market reforms.

Mr Howard promised in the campaign to create a "relaxed and comfortable" Australia. That may be what many voters want. But it is no guarantee of future prosperity. That goal requires difficult decisions, likely to arouse short-term unpopularity. The risk is that Australia's new government has regained office at the

# Nuclear sale

Negotiations for the privatisation of the UK's nuclear industry have turned into a standoff. The question is which side will blink first: the Department of Trade and Industry, or British Energy, the company created for the sale. On past experience, it will be the government. However, there are encouraging signs that this time ministers might be more rebust.

issues: the liabilities to be transfered to the private sector, and the level of debt to be carried by British Energy. The government appears to have won the first point, insisting that all liabilities associated with British Energy's eight power stations should also be transfered to the new company.

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There is a natural logic in the decision to match liabilities with the assets which generated them. Moreover, the liabilities which have been at the heart of the recent row - essentially, the cost of reprocessing fuel rods which were used in the past but have not yet been reprocessed - are only about one eighth of the \$12hn liabilities which the company is now expected to bear. They will also crystallise soon, and are therefore relatively easily quantified. Much more uncertainty surrounds longer-term reprocessing and decommissioning costs. The government has yet to demonstrate it has made a thorough assessment of those costs and of British Energy's ability to meet them without running its stations well beyond their expected lifetime.

Meanwhile, the issue of debt lev-

els remains fiercely contested. Mr Ian Lang, industry secretary, should continue to play tough on this point. The government has rightly been criticised for privatising many utilities with unneces sarily well-capitalised balance sheets, in order to smooth the

Instead initial debt should be set as high as expectations of Conflict has centred on two cashflow will permit. The marings will deviate from those estimates will then be reflected in the sale price. That risk certainly exists, in particular, prices in the wholesale market for electricity may fall. Contracts for supplying coal to power stations expire in 1998, which may allow costs to fall, while new plants are coming on stream. Lower prices could hit nuclear power's cashflow hard, as

its costs are almost entirely fixed. Nonetheless, there is little point over-capitalising the company. For a start, the government might well prove a net loser, in that the debt retained by the public sector might well exceed the enhance ment to the sale price. Moreover the market frequently over estimates such risks. If the fears proved exaggerated, the shares might then perform embarrass ingly well, as they have done in previous electricity privatisations. Nuclear is far from the easies

sale, but ministers have nothing to gain by treating the industry too generously. For British Ener gy's part, if it wants to be priva tised, it should blink soon.

City institutions are paying huge sums to get the right people on board, but not everyone can join the ride, say FT reporters their particular specialisms in leading executives can earn more come to the City of demand command much higher sal-London jobs mar-

ket. The phrase of the moment among US pundits reflects the increasing polarisation of reward between a handful of stars and the rest of the field in many aspects of the modern economy. Top dogs, within an individual company or in an industrial sector, now leave only scraps for their rivals.

So it is with the dramatic stories of the "poaching" of bankers, traders and analysts in mouth-watering deals worth hundreds of thousands or even millions of pounds. For those in highest demand, the competition is fierce, and loyalty goes to

the top bidder. "It is a crazy carousel," says the head of a leading mergers and acquisitions advisory business. "I share, and that trend will condon't like it, but I am part of it." An analyst concurs: "There is a huge merry-go-round. It is the latest way for commercial banks to lose money. First there was Latin America, then there was commercial real estate; now they are trying to stuff

it into my back pocket." This is the City's third ride on the carousel in the past decade. The first came in the run-up to Big Bang when investment banks paid huge sums for stockbroking and jobbing firms. The second followed on from

that until the 1987 crash. But the current City transfer market manifests the same gulf that exists - and is widening - between the fortunes of English football's Premiership and the also-rans of the Endsleigh League.

"There is a big divergence between the stars and the multitude " says one hank economist. "Only where people fit into a specific role for a bank or investment firm do you get very large salaries." Experienced fixed income and equity analysts might expect to earn between £70,000 and £100,000 a year, with up to £70,000 more in bonuses and fringe benefits. But the premier league of analysts who find

aries - with a privileged handful earning more than £1m. Increasing numbers, however, are

paid far less than this. Junior analysts at some European banks, generally regarded as the worst payers, can earn as little as £20,000 a year. "There have always been people in the City who have been paid crap but the number is increasing," says another analyst. There are also large divergences

in bonuses, according to a bond trader at a UK bank. "The curve has steepened - the good producers are getting a much larger share of the pie while the plodders have got little or nothing. At most banks, the bonus pool is probably bigger this year than last year, but a smaller number of people have got a larger is huge - CS First Boston paid twice as much in bonuses as it reported in pre-tax profits - some people have missed out. "Where did

all the money go?" asks one banker.

Among the winners are analysts capable of helping banks deliver lucrative mandates to privatise state-owned companies or float shares on international equity markets. As margins contract on bond and loan business, equity issues have become the most sought-after deals - commissions for such deals typically amount to between 2 per cent and 3 per cent of the amount raised. Deploying leading sector analysts for presentations during roadshows can help enormously. Banks have to show research capability as part of their marketing effort," says a City economist. "You have to have a top-ranked telecoms analyst to present yourself as an important player to the government

which is privatising."

The media business, the subject of much US merger and acquisitions activity, is another sector where highly rated analysts command large salaries. Other hot areas are equity derivatives, where

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than \$10m (£6.5m), mergers and acquisition advice, pan-European equity researchers and - back in fashion again - emerging markets.

Roll up for the crazy carousel

The obsession with analyst league tables, such as those published by FT Extel and Institutional Investor, has increased the competition among analysts. "If you're among the top three rated analysts, you're in the driving seat," says Ms Gillian McBurney of Dendera Research, a market research and executive

search company. She adds: "In the old days, if you got into the office on time, kept your desk tidy, got along with the sales team and wrote regular research reports, you kept your job. Now it's a much more competitive market. If you're not producing and if your research isn't attracting the big investors, you won't stay in performance pressure - not just to get the job but also to keep it."

Traders see the same trend. "Bond sales and trading are a very capital-intensive business with incredibly high overheads," says one. "Only the people who can amply cover their costs - like proprietary traders - will be rewarded. The non-producers are a huge drag on the banks' ability to pay people - even the good ones."

he structure of bonus payments was already changing in the wake of the Barings collapse last year. When share prices were soaring in 1993, successful traders were able to make multi-million dollar bonuses - traders attached to one Japanese bank are said to have negotiated a deal giving them 25 per cent of the bank's profits.

By contrast, although poor per-formers might have lost their jobs, they bore none of the losses they had helped to cause or failed to prevent. But over the past year, a number of banks have introduced deals in which traders take much more limited bonuses, but in turn are sche given greater job security.

Stars in the City share this yearning for security with other beneficiaries of the winner-takes-all economy. Like their boardroom counterparts in privatised utilities, City high-fliers earning high rewards do not necessarily face high risks. Poaching a City star often means offering a safety net.

The most common bait is the "guaranteed bonus". A company determined to hire an individual might have to agree to double his or her earnings, guaranteeing a pre-agreed basic salary and annual bonus for a fixed period, usually

"A role reversal has been taking place," says Ms McBurney. "A few years ago, banks paid up in order to hold on to people, but nowadays the employees want contracts that will give them some degree of job security. The golden handcuff is being pushed more by the employees rather than the employers."

Guaranteed honnses make colleagues jealous and remove some of the control that investment banks have over costs. In mergers and acquisitions, salaries and bonuses account for about 90 per cent of costs. Like the prodigal son's elder brother, moreover, existing staff resent the largesse offered to newcomers because it reduces their own slice of the bonus cake.

Paying bonuses in deferred shares is intended to retain lovalty, but it can also accelerate the speed of the pay carousel. When Merrill Lynch hired Mr Guy Dawson from Deutsche Morgan Grenfell as its head of corporate finance in Europe, it had to offer costly compensation for the loss of his share bonus.

Guaranteed packages also do not make certain that the new hire will bring in the volume of business to justify his cost. For example, Mr Maurice Thompson and Mr Michael Cohrs, lured from S.G. Warburg for a reported £3m each, have yet to win a high profile international equity mandate for Deut-

With such high stakes, recruitment now means high anxiety. "The bidding going on for highquality people resembles a raise-or-fold poker game," says a senior banker at a US company.

Companies sometimes want an open-ended search for the best candidate - increasingly a global task but on other occasions know exactly who they want and ask the headhunter to act as an intermedi-ary. "Our value added in those circumstances is to bring them to the table and close the deal," says Mr Bob Flohr, head of global banking practice and European financial services at executive recruiters Korn Ferry Carré Orban International. This is not always so simple with astute candidates. "I find myself sometimes with their lawyers,

accountant and pension adviser." jobs market reflects its polarised nature. Aggressive recruitment by continental European banks holds out encouraging prospects for top candidates and has fuelled the latest surge in top pay packages. "Some houses, like Deutsche Bank, are expanding and offer quite a lot of money to get good people on board," says one bond trader.

But others believe the many bank mergers and takeovers during the past year - including SBC Warburg, ING Baring, Merrill Lynch and Smith New Court, Chemical and Chase Manhattan, Dresdner and Kleinwort Benson - will reduce opportunities. Decisions by several banks to reduce their UK operations

could also slow the carousel. Another trader says: "Many banks have been able to get away with paying mediocre bonuses because they know their employees can't find a new job that easily it's a buyers' market." Unless you make it to the winners' circle.

Written by Clay Harris. Reporting by Nicholas Denton, Richard Donkin, Richard Lapper, Conner Middelmann and Antonia Sharpe

# Asia and the EU

The more vehemently Asian and European leaders protest that their summit in Bangkok was a success, the more they expose its insubstantial result. Their actual exchanges were banal, and much of the agenda was borrowed from elsewhere. Government leaders do not need to travel half way round the world to organise cultural exchanges between students.

Their defence is that they started a process which will bind Europe and Asia economically and enhance global security. That is indeed a worthy aim. But if the process is to lead anywhere, the summit must be followed through with diligence and determination. The final statement skirts round the challenges, especially on the

economic front. Europe must decide how far it is prepared to undertake further trade liberalisation to match the parallel process among members of the Asia-Pacific Economic Co-operation forum. If it does nothing, it will be accused of taking a free ride on the cost-tails of Apec, which plans to liberalise on a non-discriminatory basis.

This realisation is slowly dawning in Brussels, but Europe still seems stuck with a mercantilist desire for balance. It says it must wait and see how far Apec actually goes before considering additional measures of its own. Yet some unilateral steps, notably a relaxation of anti-dumping procedures and quota restrictions, would be in Europe's own interest

anyway. They would also demon strate it was serious about Asia. If the momentum is to be main tained, there must also be a goal as Apec has already discovered Since there is no question of creat ing an exclusive trade bloc, there is no harm in agreeing a target date of 2020, the same as Apec, for free trade between the two regions. The process of building closer relations will fizzle out if all sides insist on it remaining informal, but a firm target date could be applied to the WTO as well.

Apec and the Asia-Europe meet ing, or Asem as it is already known, would then effectively be two separate parts of one continuous multilateral trade round. This fragmented approach to global liberalisation is less unwieldy than the traditional round and might make for faster progress. The modern trade agenda is too complex for the old approach. The Uruguay Round nearly collapsed several times under the strain.

Asem should aim for a particular contribution on investment which has proved difficult for Apec and seriously lags physical trade flows. Europe is right to seek clearer rules. Investment will not flow if the treatment of foreign investors remains capricious and subject to favouritism as it is in parts of Asta. Asia's interest is more than just economic. If Europe had a greater direct commercial stake in the region, it would have a more tangible security interest too.

T Boone's last stand

Remember the days when the mere whisper of T Boone Pickens' 'name struck terror in the executives of Big Oil? Well, one of the most feared predators on Wall Street has finally sued for peace. Over the last six months the legendary Texas oilman has been waiting for someone to ride to the rescue of his ailing oil and gas

producer, Mesa. Finally, on the day before the deadline he had agreed with a group of troublesome shareholders. Pickens found his White Knight -Richard Ramwater, a fabulously successful Texan investor of a more recent vintage (he is 51 to Pickens' 67.)

For the man who once terrorised the boardrooms of giants like Chevron, Texaco and Unocal, this is quite a come down. To keep his sidents happy, Pickens had to find some new equity. It has come at a price: in return for alleviating Mesa's woes with an infusion of \$265m. Rainwater has secured a third of the company and two board seats, And, to make clear who is now in the driving seat. Rainwater and an associate will hold sway on a new three person executive committee (the third

member is Pickens.) Pickens can console himself with the thought that it could have been worse. At least he remains

chairman of the company he has built over the last four decades. Other shareholders, meanwhile, have been left wondering whether this arrangement is really the best outcome - or whether they might not have been better served by a break-up of the company. Pickens must know the feeling.

#### Hot line Even London Transport, which

knows a thing or two about explaining away delays on its own underground services, would be hard pressed to come up with a more innovative excuse for the rush hour chaos which delayed 100,000 commuters in Hong Kong last week. A helium-filled child's metallic balloon, let loose in a station on Hong Kong island, shorted an overhead electrical cable, causing it to melt. Hong Kong is now agonising over whether to ban metallic balloons from the entire system.

#### Sheep dip

Fresh evidence, if any were needed, that French politicians dare not ignore the farming vote. The 33rd annual "salon d'agriculture", on the outskirts of Paris closed vesterday after a week-long run and a record political turnout. President Jacques Chirac. playing up his rural roots, became

the first head of the republic to visit the exhibition since 1978. He spent no less than five hours shaking hands and patting animals on the day it opened. Since then a steady stream of politicians has shown up, ranging from former President Valery Giscard d'Estaing, prime minister Alain Juppé and Chirac's Gaullist opponent Edouard Balladur. through to Jean-Marie Le Pen of the extreme right wing National Front. At last count 17 members of the Government and over 200 politicians turned out.

#### Closed shop

■ No wine, women or song for China's parliamentarians who are set to convene tomorrow for their annual talkfest in Beijing's Great Hall of the People. State Council, or cabinet, has issued regulations apparently aimed at making the annual rubber stamp gathering a particularly joyless occasion. An edict has gone out that there is to be no banqueting and no

exchanges of gifts. In the past, meetings of the National People's Congress had been occasions for serious partying among delegates drawn from all over China. These days, Chinese leaders are seeking to convince a cynical public of the worthiness of parliament's role.

Delegates will not be permitted to leave the capital during the 14-day session, to conduct

unauthorised meetings or to present unapproved written materials. The latter provision has the big advantage of heading off dissident petitions that tend to surface at the annual session.

#### Pin-up boy ■ David Wright, Britain's new

ambassador to Japan, has not taken long to get his face known about the place. His photograph has started to appear on grocery fliers for Daimaru Peacock, a local supermarket chain, which has decided to carry the products of British supermarket chain Waitrose on its shelves.

Wright, who started last month, has penned a congratulatory letter which appears on the promotional fliers. Where will this diplomatic effort to open Japanese doors to British business end? Observer sincerely hopes that the diplomatic pin-up boy will draw the line at opening new supermarkets. Better leave that sort of thing to Princess Diana, amhassador.

#### Sensational work There seems no end to the

inventiveness of the men in white (lab) coats. Swiss pharma giant Ciba-Geigy and Isis Pharmaceuticals of California are very proud about their new way of discovering drugs: it is called "antisense" technology.

# Financial Times

#### 100 years ago London Property Market

There was a fair amount of business done at the Mart yesterday, but the properties were, on the whole, an uninteresting lot. A freehold building site in Smithfield; covering a superficial area of 1,100 ft, was knocked down to £810 to a gentleman who revealed his identity by calling out his name "Sausage Rarris" and we knew then we were in the presence of the king of purveyors of this dainty food.

#### 50 years ago

New York open to list foreign stocks New York: "The New York Stock Exchange is fully prepared to list foreign securities, thereby providing a new avenue for European corporations to secure badly needed American dollars during the present world reconversion period," according to Col John Haskell vice president of the New York

Stock Exchange. No foreign applications for listing stocks and bonds were at present before the Stock Exchange, primarily because foreign corporations were generally lax in supplying comprehensive and timely fiscal data to investors.

# FINANCIAL TIMES

Monday March 4 1996



f disput

# Japan faces budget showdown

Japan's opposition New Frontier party plans to block the govern-ment's final bid today for agreement on this year's budget, including an unpopular plan to use Y685bn (\$6.4bn) of public money to liquidate bankrupt housing

loan companies, or *jusen*. The budget proposes Y75,105bn in spending and the sharpest rise in government debt in Japanese history. The ruling coalition aims to push the budget through its final committee stage and pass it at a plenary session of parliament in the next few days.

Mr Takashi Yonezawa, NFP secretary general, yesterday said there would be a showdown. "We

block the passage of the budget which contains the use of taxpayers' money to liquidate the iusen." he said.

Opposition officials last week indicated they were considering procedural tactics to force the government to agree a number of

The NFP is pushing for com-mercial banks, which founded the jusen, to bear a high share of any future losses - expected to be substantial. It has the support of a number of politicians in Japan's Liberal Democratic party, the largest coalition partner. Amendments could emerge when the budget bill proceeds to the upper house, or even after parliamentary agreement. In addition, the NFP is seeking

to summon senior members of the LDP before parliament to testhe jusen losses. That could embarrass Mr Ryutaro Hashimoto, prime minister, who was finance minister from 1988 to 1991 when jusen lending to what turned out to be overvalued prop-

erty projects was expanding fast. The jusen plan is the centreof the government's attempt to restore stability to a banking system weakened by bad debts accrued during the fast expansion of asset prices before the price collapses of the past five years. The budget also includes public spending needed to support the fragile early stages of a recovery from Japan's lon-

the government is assured of getting agreement on the basic structure of the plan, however hard the NFP tries to block it. The government has been

helped until now by the NFP's lack of aggression over the scheme, a reflection of the fact that some of the NFP's top members were in office when the iusen made their worst loans.

Yet the government's popularity is falling so fast that it may be tempted to give in to some of the NFP's demands. Support for the cabinet of Mr Hashimoto has declined from more than 60 per cent on taking office in January to just over 47 per cent, according to a poll by the Asahi Shimbun

# Turkey's two rival |ICI plans number leaders to share power in coalition financial overhaul

By John Barham in Ankara

Turkey's two rival conservative leaders agreed yesterday to form a centre-right coalition. Their decision came two months after inconclusive elections gave no party a clear mandate to rule.

Mrs Tansu Ciller, the caretaker prime minister and head of the True Path party, agreed to share the premiership with her old foe, Mr Mesut Yilmaz, leader of the Motherland party, as well as sharing out government posts between the two parties.

"I believe this is the most logical resolution from the picture thrown up by the elections," said Mr Yilmaz.

Turkish politics were deadlocked when Islamist Refah (Welfare) emerged as the largest party in parliament after December's elections, with 158 seats in the 550-member assembly. Although the two conservative

leaders share the same pro-western, secular and free market policies, they managed to reach a compromise only after a week of negotiations behind closed doors. Senior party members have drafted a complex document setting out policy, dividing portfolios between the parties and establishing the rotating premier-

ship. However, only the arrange-

ments for the premiership have

Mr Yilmaz will serve as prime minister for the rest of this year. Mrs Ciller, who will not hold cabinet office this year, will take over in 1997-98 before handing power back to Mr Yilmaz for a further year. A True Path politician other than Mrs Ciller will run the government in its fifth

and final year. Details of the government's programme will be announced only after both parties' caucuses have debated them. Motherland will convene today, followed by True Path tomorrow.

Mr Yilmaz is then expected to present his cabinet list for approval to President Süleyman Demirel on Wednesday. The coalition's programme will be read out in parliament the following day. A vote of confidence is expected next week, after which the government can be formally

Although True Path and Motherland together will still be 15 seats short of a majority, two smaller leftwing parties which command 124 MPs have said they will either support the govern-ment in a vote of confidence, or simply abstain.

# of acquisitions in

By Jenny Luesby in London

Imperial Chemical Industries, the UK-based chemicals company. said yesterday that it would hit the acquisition trail in an effort to boost its "under-utilised" bal-

The first announcements are likely to come from Asia, where Mr Charles Miller Smith, chief executive, is holding talks over the next four weeks. The group is also thought to be be interested in Eastman Chemicals of the US, which produces PET, the polyester-based plastic that is one of ICI's core businesses. The announcement came as it

was disclosed that ICI had brought in management consul-tants McKinsey to overhaul its financial and tax structures. City of London analysts are warning that the company looks vulnerable to a takeover. The acquisitions programme

will be part of what Mr Miller Smith called "a massive assault on the way we do business" in which the company's financial and tax structure were "being turned over".

The group's negligible gearing just 22 per cent at the end of last year - was set to change significantly, said Mr Alan Spall, Foes become partners, Page 3 | finance director. If acquisitions

were constrained by the group's demanding return on assets criterion of 20 per cent, another option would be a share buy-

back.
ICI has confirmed it is considering this, "but as a UK financially based company there is a tax disincentive in the form of ACT [advance corporation tax]", said Mr Spall.

Similarly, he said, there was a tax disincentive to investment outside Britain. This is a particular problem for ICI: the group sanctioned £1.2bn (\$1.8bn) of capital spending last year of which only a small proportion was in Britain. However, there were "schemes" for resolving this problem, said Mr Spall.

Another problem for the group in the UK is its market valuation. Chemical companies are rated lower in the UK than in mainland Europe and the US, with the UK sector currently at a 10-year low against the US.

It may have been this that prompted ICI to register its last public spin-off, EVC, in Amsterdam rather than in London.

Meanwhile, ICFs market capitalisation of £6.5bn is equivalent to less than 60 per cent of forecast sales for this year. The share is the cheapest in the chemicals

#### THE LEX COLUMN

# Liberal landslides

Australia's financial markets will probably give a euphoric reception to the Liberal-National coalition's sweeping victory in Saturday's elections. But there is little in Mr John Howard's policy platform to merit enthusiasm. The Liberals' traditional commitment to labour reforms and tackling the budget deficit was noticeable by its absence from pre-election pledges. Since Mr Howard looks unlikely to gain control of the parliament's upper iouse, the Senate, he will struggle to introduce stronger medicine. Even some of his promised hand-outs may be sacrificed, due to rising expecta-

tions for the budget deficit.
Some sectors of the stock market should flourish under the new government. Mr Howard is likely to address restrictions on cross-media ownership, and also bank ownership rules, opening the way to corporate activity in both sectors. Amendments to the Native Title Act, covering land rights of aboriginal groups, is expected to be supportive for the mining sector, which has numerous disputes over land rights. The transport sector, which has been weighed down by a powerful union, would be a significant beneficiary of any moves to dilute

workers' protection. Nonetheless, stock market euphoria will probably be short-lived. The unions are already threatening war, and Mr Howard will have to tread carefully to avoid costly strikes. Besides, with corporate earnings growth expected to be in negative territory in the year to June and profit margins in Australian industry returning to recessionary levels, there is every reason for caution.

The changing of the guard at Fiat last week follows dramatic manage-ment changes at Volvo and Daimler-Benz. And Fiat looks like a prime candidate for their brand of restructuring. Around £5bn of last year's revenues came from businesses wholly unre-lated to the auto industry. Even its auto operations look too diverse. The lorry division, Iveco, has a declining market share, and might be worth more to a larger competitor.

However, revolution is unlikely. Mr Cesare Romiti, who has replaced Mr Gianni Agnelli as chairman, is verv much his predecessor's man. Moreover, be is a caretaker. Another Agnelli is likely to take the helm when he retires in 1998. Mr Romiti should continue the process of selling the

most inappropriate or troubled elements of Fiat's diverse portfolio. While Mediobanca's plans to create Super-Gemina - a revitalised conglomerate are ill-conceived, they would be excellent for Fiat, which was to sell its chemical businesses to Gemina. But Piat will remain diverse.

1986 88

At least Mr Agnelli has left his company in good shape for now. The car division has had two great successes in the Punto and Bravo/Brava. And Fiat's development of a world car is a far more innovative approach to emerging markets than that of its rivals. But it must face up to increasing competition in Europe, especially in Italy, where the European Commission will lift competitive barriers by the end of the decade. The best way to ensure Fiat has the capital to compete would be to relinquish its ambitions as an industrial conglomerate.

#### Pharmaceuticals

After a tumultuous two years, consolidation in the drug industry has ground to a halt. There appear to be two reasons for this. Many of the logi-cal deals have been done and vulnerable second-liners such as Wellcome. Fisons and Marion Merrell Dow have disappeared. Second, drug volumes rose by an unexpectedly healthy 10 per cent in 1995 and most share prices have jumped by more than 40 per cent. This has given drug company managements a breathing space.

But there is powerful pressure for further rationalisation. Sustainable volume growth is probably no more than 5 per cent and margins are coming under pressure as big managed care buyers demand hefty discounts. Meanwhile, the cost of a new drug is now close to \$300m. That means only those with huge economies of scale

can survive. But Glaxo Wellcome, the world's number one, has a market share of just 6 per cent. The next round of consolidation is likely to feature more all-share merg-ers, since they preserve balance sheet strength and avoid heavy goodwill write-offs. The success of Pharmacia & Upjohn, whose combined market value has risen from \$13bn before their merger to \$22bn now shows investors will rapidly give credit for expected synergies. But a big acquisition can-not be ruled out if one of the top companies decides to challenge conventional thinking on goodwill or ventional chinical of goodwin or acceptable debt levels. A combination like Glaxo/Eli Lilly or Roche/Zensca would force rivals to react. All bets would then be off as drug companies wreturn of

UK takeover rules

scrambled for partners.

ing premiu The cornerstone of Britain's Takeover Code is the principle that all shareholders of a target company should be treated equally. But Mr Alastair Defriez, the former Warburg corporate financier who becomes the Takeover Panel's director general this morning, knows well that this is not always so. One of the hottest issues he will have to address stems from Trafalgar House's failed bid for North ern Electric, which he defended in his old job. The controversy relates to Trafalgar's use of "contracts for differences" - a type of derivative involving a bet on where the share prices Northern, and several other electricity companies, would move after the bid was announced. It did not take the brain of a rocket-scientist to work out that the shares would rise, giving Trafalgar a one-way bet.

Although such bets are not illegal, they are a type of insider trading. So the panel should have little trouble deciding they should be banned Sadly, more than a year after the event, it has yet to reach a conclusion. The panel seems to have got itself into a twist because its code allows a bidder to buy shares in a company before launching an offer. Since bidders can enjoy a one-way bet by buying actua shares, the logic runs, why should bets using derivatives be picked on? The simple answer is to ban one-way bets involving actual shares too. After all, snapping up shares in a target company before launching a bid contravenes the principle that all investors must be treated equally. Hopefully, Mr Defriez will help the panel understand this point.

Continued from Page 1

strike again if attacked. Hamas said a political dialogue with Mr Arafat and the Israeli government would be the only way to guarantee real peace and security between Arab and Jew. Israel last Friday refused to negotiate with Hamas and placed the responsibility for containing Hamas firmly with Mr Arafat.

The opposition Likud party has been strengthened by the attacks in a country where personal security will be the number one elec-

## Bus bombing | Unions warn Australian winner on pay

had a 13-seat majority. The scale of the win surprised even the coalition's staunchest supporters, although it was not out of line with some recent opinion poll indications.

The swing against Labor came in all six states and was put nationally at more than 5 per cent. Mr Howard, who unsuccessfully contested the 1987 election and two years ago admitted that he had given up hope of becoming prime minister, described the victory as "a magnificent win"

and "an emphatic mandate". However, in a brief victory speech on Saturday night, he also pledged that uniting the

FT WEATHER GUIDE

cornerstone of my approach to The coalition's campaign agenda included promises to sell off part of Telstra, the governit-owned telecoms group, and to reform the labour market.

Australian people would "be the

But it fell short of the radical agenda offered three years ago, and included a A\$6.3bn (\$4.76bn) package of new spending promises, spread over three years.

Yesterday Mr Howard con-firmed that Mr Tim Fischer, leader of the National party, would be his deputy, and that Mr Peter Costello, deputy leader of the Liberal party, would be the new treasurer. He is expected to announce his full ministerial

team on Wednesday. Mr Paul Keating, the outgoing prime minister, made a dignified exit speech within a few hours of

the polls closing. He said he would not be re-contesting the party leadership and is widely expected to retire from

PM<sub>1</sub>

PENDEFORD MORTGAGES NO.1 PLC

£1,000,000,000 Mortgage Backed Floating Rate Notes due 2037

NatWest Markets

ABN AMRO Hoare Govett Goldman Sachs International

Kleinwort Benson Limited

**SBCWarburg** 

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Barclays de Zoete Wedd Limited **HSBC Markets Limited** J.P. Morgan Securities Ltd. **UBS** Limited

NW NATWEST MARKETS

#### **Europe today** A stationary ndge of high pressure from the

bring calm conditions to most of central and western Europe. The British Isles, Germany, France and the Iberian Peninsula will have sunny spells and most areas will stay dry. The Benefux and eastern England will be mainly cloudy with some light rain and snow. Eastern Europe will be influenced by a gradually weakening depression over the Ukraine which will bring cloud and some snow to the north-eastern Balkans, the Ukraine, Belarus and western Russia.

Southern Scandinavia will have local snow and temperatures will be around or just above freezing. The central and eastern Mediterranean will have numerous showers, some of them thundery.

Five-day forecast High pressure over the Atlantic will move to southern Scandinavia forcing the air flow to become easterly over Germany, the Benelux, the UK and most of France. This will bring lower temperatures by the weekend and

by snow or rain. The central and eastern lediterranean wiji remain unsettied.

Our service starts long before take-off. Lufthansa

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FINANCIAL TIMES

# **COMPANIES & MARKETS**

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of slower growth in its domes-tic market. And in the US,

Compac Computer, the world's

largest PC manufacturer, sur-

disappointing February sales.

The US group said it would

respond by cutting prices and

costs. But falling prices and

margins have raised fears of an end to the recent bull market

in US technology stocks. Fol-

lowing the announcement on

Friday, Compaq's share price

plunged more than 17 per cent

to \$41% as the sell-off spread

to launch a range of desktop computers for the corporate

market with prices that under-

Later this week, it will also

cut prices and launch new PC

servers - high performance

computers that are linked to

networks of desktop PCs. The

aim is to meet an aggressive

first-quarter target of 35 per

With world PC sales expec-

cent this year, Compaq must

blamed a higher-than-expected

DM125m (\$84m) loss in 1995 -

slowing PC sales growth, price

cuts and stock write-downs.

in the fourth quarter.

steal sales from competitors.

cent sales growth.

cut those of its competitors.

Today, Compaq is expected

throughout the sector.

Monday March 4 1996



# BT dispute with Telefónica intensifies

By Christopher Price in London

British Telecommunications has complained to the competition authorities in Madrid over the behaviour of Telefonica, the Spanish state telecoms group.

The UK company, which operates in Spain through a joint venture with Banco Santander, has accused Telefónica of using confidential information to lure its customers away through cheaper prices. BT yesterday described its action

as "a shot across the bows" and follows growing frustration at the failure of the two groups to resolve their differences.

BT leases private circuits from Telefónica to connect clients. The UK group claims that one of the anti-competitive practices pursued by its Spanish rival is in delaying the leasing process, during which time it will approach BT's clients and offer the service at a lower

BT also accuses Telefónica of over-

charging it for the leasing service. Under Spanish and EU law, BT

can only operate a licence to carry non-voice traffic. Its fledgling service focuses on data traffic which has attracted about 600 corporate customers.

However, BT is keen to apply for a voice licence, as soon as legislation allows, and the complaint to the tribunal shows it intends to provide for fair competition. Full liberalisation of EU telecoms is planned for Janu-

"We have made this complaint after repeated attempts to settle the dispute have been frustrated," BT said. "It is a warning against those incumbent telecoms utilities which are digging their heels in over com-

Other overseas telecoms groups are also understood to be considering action after encountering similar problems to BT.

BT has been operating in Spain since April 1993 and has invested

ture. It employs 200 people. When it launched in Spain, the BT-Banco Santander data transmission company aimed at capturing up to 20 per cent of the domestic market.

Investment in the venture, which is building on Santander's Megared data company, will be about Pta80bn (\$625m) spread over 10 years.

A mark of Telefónica's concern over the threat from the new group was signalled by the counter launch of its own data transmission network shortly after the BT incursion.

BT has had several difficult encounters with the regulatory authorities in the UK over competition issues. The latest, over new powers being sought by Oftel, the industry regulator, could be referred to the UK Monopolies and Mergers

Telefonica, which has recently undergone partial privatisation, has strong overseas ambitions which has brought it into competition with other state-owned telecommunications groups.

deeper price cuts. The result

would be a decline in profit

margins throughout the indus-

try, analysts said. Already, PC

manufacturers have seen profit

margins plummet from an average of about 40 per cent of

revenues to less than 20 per

cent over the past three years.

in large part, by Compaq's 1992

decision to sacrifice profit mar-

gins for market share growth. As PC prices fell by about 30

per cent. Compaq rose from

fourth place in the world PC

market to first place by 1995.

Now Compaq appears to be determined to do it again -

driving down prices and profit

margins to maintain its market

The result, say analysts,

could be a broad shake-out in

the PC industry. Smaller PC

manufacturers look vulnera-

ble. In particular, regional sup-

pliers, such as Escom, are

likely to come under pressure.

dominated by global manufac-

tures such as Compaq and

almost all the indigenous PC

manufacturers including Oli-

vetti, Bull and ICL have been

"In order to compete you

have to be a global producer,"

says Mr Andreas Barth, Com-

paq's European

The European PC market is

leadership.

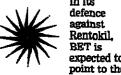
losing money.

vice-president

That slide was precipitated,

## INSIDE

BET/Rentokil



point to the performance of its textile services division. Graham Kettle, director for textile services, claims the division has achieved high margins for the industry and has invested heavily in sales and marketing. But Clive Thompson, chief executive of Rentokil says: "Our managers have increased margins before at performing above the

#### Fund Management

industry average.'

Page 20

The FT today starts a weekly column on fund management, which will focus on the business and investment issues facing the industry around the world. In the first article, Norma Cohen looks at the recent spate of takeovers in the sector, and asks whether a change of ownership is likely to affect of a house, for better or for worse. Page 22

#### Faces



Monday diary, focusing on personalities and events in the financial

world, begins today. What lies ahead for Jobst Wellensiek as he takes the Bremer Vulcan hot seat? Why did Andre Sharon, head of European research at Merrill Lynch, face a is David Band (above) taking BZW for its 10th birthday party? The answers are in Faces Page 22

#### Normandy Poseidon

Harry Oppenheimer and Robert Champion de Crespigny have had a warm and wonderful relationship for 10 years. But on Friday Oppenheimer's Anglo American Corporation sold its 19 per cent shareholding in Normandy Poseidon - an unfriendly gesture that could not have come at a worse time for de Crespigny. Page 21

# Japanese banks face return of lending premium

By George Graham, Banking Correspondent

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Japanese banks are once again having to pay a premium for borrowings in the interbank market as nervousness over the weakness of Japan's financial system increases ahead of the March 31 financial year end in Tokyo.

Senior European bankers said the "Japan premium", where Japanese banks are asked to pay steeper interest rates than competitors with the same rating from international credit agencies, had re-emerged in the last two

Last October and November, the premium stretched as wide as 50 basis points, but it had almost disappeared by the beginning of this year.

Now, however, Japanese banks were being asked for a premium ranging from three to 12 basis points, dealers said. Top Japanese bankers based in Europe acknowledged they had seen a re-emergence of the pre-mium, but said lending banks were showing more differentiabanks than they did last year. European banks confirmed this, and said they were assessing the balance sheets of the Japanese banks to which they lend. "We are being very selec-

tive about which banks we deal with," said one senior UK Published balance sheets are often unduly optimistic about the quality of their assets, but Japanese banks are being urged to present a more realistic picture when they publish their accounts at the end of

this financial year by writing off loans that by international standards are in default. Mr Martin Taylor, chief executive of the UK's Barclays Bank, last month offended many Japanese bankers by telling them in Tokyo that their

Eurodis Electron

credibility would suffer if they did not write off their suspect

loans in one hit. Some analysts calculate that none of Japan's top 21 commercial banks would be able to meet the minimum international capital ratio of 8 per cent if they wrote off a realistic proportion of their officially published Y28,500bn (\$219bn) of bad debts. Others estimate that two or three would come up to the mark.

Japanese banks have had particular difficulty in funding their D-Mark needs, and some bankers complained that dealers at the leading German banks had sought to exploit them. More galling still, some Italian banks have been particularly aggressive in demanding

This is outrageous. There has never been an Italian premium, though they have just as many weaknesses as us," said one senior Japanese banker based in London. But some of the stronger Japanese banks have also found a profit opportunity by lending to their weaker brethren at higher

"If people are reluctant to lend to other Japanese banks, I am delighted to take advantage of the premium," commented one Japanese banker in Lon-

A recent analysis by the Bank for International Settlements in Basic confirmed Japanese banks had experienced funding difficulties last year, cutting their international borrowings from other banks by an estimated \$100bn or 11 per cent in the third quarter.

However, the BIS concluded the difficulties caused by the Japan premium had not been insurmountable: Japanese banks had been able to fund their overseas operations by tapping the domestic money market or by liquidating their short-term euromarket assets.

# Compaq squeezes regional PC rivals

The US group is responding to increased competition with a further round of price cuts

Europe's stuttering PC growth growth. But last week there were warnings that two of the biggest markets, the US Q4 1994 Q4 1995 % CHANGE Belgium 95,855 130,451 36.1 and Germany, could be stutter-Denmark 107,111 138,615 29,4 Escom of Germany warned Finland 68.520 91.705 33.8 615,269 744.183 21.0 France prised investors by revealing 967,707 1,035,193 7.0 Italy 345,290 454,678 31.7 Netherlands 255,369 325,329 27.4 206,208 236,164 14.5 Sweden 196,606 238,237 21.2 Switzerland 143,553 11,5 667,756 874,854 31.0

In Europe, Escom has and the need for a DM100m infusion of new finance - on Escom's problems in part reflect the weak 7 per cent growth in PC sales in Germany

A slowdown in PC sales in markets such as the US and Germany could have widespread repercussions. The \$120bn-a-vear (£79m) PC market is a primary driver of growth in semiconductor sales, which grew by almost 40 per

Doubts about the strength of some segments of the PC market began to emerge this year when Apple Computer and AST Research reported losses. Until now, however, it has appeared that the PC industry's problems have been limited to the fickle consumer. While sales of home computers over Christmas were strong, in

to analysts.

some markets they failed to live up to the inflated expectations of the industry, according Just under 60m PCs were shipped in 1995, up about 25 per cent. But in the US, growth

was a more modest 21 per cent prompting some analysts to suggest that PC sales in the more mature markets could be approaching saturation levels.

wide PC sales growth of 19.5 per cent in 1996 with US sales growing just 13.5 per cent.

Despite this, it came as a shock to Wall Street when Compaq - the blue chip of the industry - said February sales to North American corporate customers had not met anticipated growth levels. Compaq tried to allay fears

of broad slowdown in PC sales. People are wanting to suggest that there is a demand issue here...but we think it is still a strong market," says Mr Daryl White, Compaq chief financial officer. Rather than sluggish demand, Compaq faces intense competition.

Analysts said renewed efforts by some of the world's

largest computer companies to increase their shares of the PC market were putting pressure on Compaq. In particular, Compaq was feeling the heat of competition in the market for PC servers where it is the dominant supplier with an estimated 36 per cent share.

MANFRED SCHMITT

CHIEF EXECUTIVE OF ESCOM

29 per cent in the fourth quar-1994. IBM said.

leadership in the corporate segment of the PC market is critical because these sales carry higher profit margins than sales through retail channels. Compaq's tactics will spark off a price war as competitors

Ironically for Escom, its problems in part reflect its ambitious international expansion programme. Last week, Escom acknowledged the expansion had led to higher initial costs than planned. Escom said it now viewed 1996 as a period of consolidation". Such retrenchment appears

ter versus the same period in For Compag, maintaining

marketing techniques, to strengthen their hold over the maturing markets of the West, while looking for growth in emerging markets. respond with matching or

Louise Kehoe and Paul Taylor

to leave the way open for the

big global brand manufactur-

ers, such as Compaq with their

deep pockets and sophisticated

#### Base landing rates London share sarvice Managed fund service

20 Slovak Telecom 19 Telefónica

Thomson

New int bond issues Foreign exchanges ... COMPANIES IN THIS ISSUE Abbott Labs Alumax Hyundai Precision Johnson & Higgins BET Kalser Aluminum Mark One Body Shop Nestié Philips Canal Plus Compaq Corporate Risk Regal Hotel Rentokli San Pacio di Torino

# New Aids drugs primed for US

A package of powerful new Aids drugs is likely to go on sale in the US following approvals from the US Food and Drug Administration. On Friday, the FDA approved rito-navir, made by Abbott Laboratories,

for people seriously ill with Aids. The FDA advisory panel, whose recommendations are usually adopted, also said that indinavir, made by US company Merck should

Mr David Kessler, FDA Commissioner, said ritonavir "provides real hope for patients with Aids. Patients will live longer".

Its approval came in a record 72 days - and the day after the advisory panel recommended it.

Both new drugs are members of a new and promising class of Aids treatments called protease inhibitors. The first protease inhibitor, saquinavir, made by Switzerland's Roche, was approved in December 1995, although the FDA said it was weaker than others then in the pipeline.

London stockbroker Lehman Brothers forecasts annual sales of \$50m-\$250m a year for each protease

Older Aids drugs, called nucleoside analogues, inhibit the early develop-ment of HIV, the virus that causes Aids, while the protease inhibitors attack the disease in its more advanced stages by interfering with an enzyme crucial to the survival of

the virus. The FDA said data on ritonavir showed it could reduce HIV disease progression and mortality in people with an advanced infection.

Abbott studied 1,090 advanced Aids patients, giving half ritonavir and half a placebo. The ritonavir patients had a 55 per cent lower risk of worsening or dying for at least six months.

patients who had never tried other Aids medicines. They received either ritonavir alone, standard therapy with AZT, made by UK company Glaxo Wellcome, or a combination of the two.

Ritonavir did not clearly prolong survival, but while the AZT patients condition worsened, the ritonavir patients had stronger immune systems and less virus in their bloodstreams

Combining drugs is likely to become the standard way to treat Aids, mainly because it slows the virus' ability to mutate to resist treatment. HIV can quickly become resistant to many Aids medicines.

Ritonavir, sold under the brand name Norvir, must be used with caution, doctors warned. It interacts dangerously with other common medicines, from heart drugs to allergy



ARE SOME FLIGHTS THATITOU

A world class long jumper never wants to come back down to earth. At Delta, we believe that every single passenger from any of our Delta Air Lines 500 flights arriving daily in our home town of Atlanta for this year's Olympics, should be made to feel the same way about their flight.

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# **BET** defence to focus on textile services

BET's defence against the £1.9bn hostile bid from Rentokil is expected to highlight the performance of its textile services division as an example of the improvements aiready achieved by the current management.

The business services group, which has until March 11 to publish its defence, is likely to argue that there are few other ways Rentokil could improve profits at the division. In an interview, Mr Graham Kettle,

BET director for textile services. claimed the division had already achieved high margins for the industry and had invested heavily in sales and marketing over the last two years. Mr Kettle said: "In the 1980s, cash from the division was used to fund the expansion of the group and in the early 1990s it was used to pay off

debts. Now it is being used for organic

growth." Rentokil, the industrial ser-

vices group which published the offer

document for its bid last Monday,

refused to be drawn on specific plans

for BET's textile services division.

nesses which were performing above the industry average." He pointed to the example of Tropical Plant Rental, which had been the leading US company in the sector when Rentokil acquired it in 1988. Since then margins had been improved from below 10

However Mr Clive Thompson, chief executive, said: "Our managers have increased margins before at busi-

per cent to nearly 22 per cent. He added that Rentokil could reduce costs by using the organisation for its healthcare business to run BET's textiles division

Outlining BET's strategy, Mr Kettle said that margins had risen from 14.8 per cent in 1993-94 to 16.7 per cent in the first half of the current financial year, making them the highest in the group and in the top quarter of companies in the industry.

Over the last two years, capital expenditure had been 127 per cent of depreciation and return on capital was 33 per cent in the first half. Pro-ductivity had been improved so that each of the division's 1,000 vehicles made on average 80-90 visits to customers a day.

Analysts are forecasting that the textile services division will make profits of £42m in the year to April 1, at a margin of about 17 per cent. Mr Nigel Utley, analyst at Greig Middleton, said: "It is hard to see where Rentokil will improve the busi-

ness, although it has shown before that it can raise margins whatever." Mr Charles Pick, analyst at Pan-mure Gordon, said that in the late 1980s it had been common for BET's textile business to record margins of over 20 per cent, although this had been using different accounting rules.

# NEWS DIGEST Record month for Liffe in February

The London International Financial Futures and Options Exchange (Liffe) saw the busiest month in its history in February, with the number of contracts exchanged rising year-on-year by more than 50 per cent. A sharp increase in volatility in international bond markets was the main reason. "This present phenomenal increase in volume has taken place against a background of uncertainty surrounding European interest rates and turbulence in the US bond market," said Mr Daniel Hodson, chief executive. Trading levels broke the previous record set in February 1994 when rises in US interest rates triggered a big increase in activity.

Liffe also experienced its second busiest day since it opened in 1982, with 1.4m contracts traded on February 20. On March 2 1994 1.6m contracts were traded. The upturn in business follows a fall of some 13 per cent in 1995, mainly as a result of greater stability in international markets following the turmoil of the first half of 1994.

Mr Hodson said the German government bund was now Europe's leading bond contract, with over 5m traded in February. The increase seems likely to strengthen Liffe in its competition with the Frankfurt based Deutsche Terminborse, Between seven and eight of every 10 German government bond futures contracts are traded in London. Richard Lappe

#### Kaiser abandons merger plan:

A plan to create the world's third largest aluminium producer fizzled out at the weekend when Kaiser Aluminum abandoned its attempt to lure its bigger US rival Alumax into a merger.
valuing Alumax at up to \$2.5bn. Alumax had firmly rejected
the offer and reinforced its determination to resist a hostile takeover by instituting a "poison pill" shareholder rights plan Kaiser had faced a Saturday deadline to submit proxies to

pursue a battle for control of Alumax at the company's annual meeting in May. Mr George Haymaker, Kaiser's chief executive, claimed there had been "every indication" Kaiser would have received "very significant support" from Aluman would have received
shareholders for a new slate of directors. "However, such
measures initiated by Kaiser would not likely result in a
constructive dialogue between the companies," he said.

Richard Tomkins. New York

#### Elektrowatt in talks on UK sale

Elektrowatt, the Swiss electricity and engineering group, said it is in talks with several potential purchasers for its 42 per cent holding in Eurodis Electron, the UK electronics component distributor, fuelling further speculation that Eurodis Electron faces an imminent hostile bid. Any trade purchaser of the Elektrowatt stake - worth around £100m would be obliged to make an offer for the rest of the shares.

Elektrowatt, controlled by Credit Suisse, said it was "confident" of finding a buyer for the holding, which was put up for sale in December following the Swiss group's SFr1bn (\$830m) purchase of Landis & Gyr, the electronics group. It also put its 29.9 per cent stake in Unitech, the components concern, on the market.

Talks with one party are thought to be at an advanced stage although Elektrowatt refused to comment. Arrow and Avnet, two US component distributors with strong European ambitions, are thought to be among the interested parties. The company said it had set a summer deadline for the sales.

Christopher Price, London and Thierry Meyer, Zurich

#### Body Shop statement today

Body Shop International, the UK-based 'green' cosmetics group, plans to issue a statement to the Stock Exchange this morning regarding its founders' plans to buy back the company. Yesterday, it declined to comment on a report in the Sunday Times that Anita and Gordon Roddick, chief executive and chairman respectively, had called off the buy-back plan. The newspaper quoted bankers as saying it was not a lack of

finance which scuppered the deal but that the Roddicks' interest in the buy-back had cooled. Last November, the Roddicks, who floated the business for £4.6m in 1984, sai were in discussions with banks on turning the business into a charitable trust. They appointed Morgan Stanley to arrange the financing. On Friday, Body Shop's shares closed at 148p giving the company a market capitalisation of £281m (\$429m). Antonia Sharpe

#### Bremer Vulkan loan hopes

Bayerische Vereinsbank, the German bank, has confirmed it is considering granting a loan to Bremer Vulkan, the country's largest shipbuilder, which last month sought protection from its creditors after reporting DM1bn (\$678m) losses for 1995, but will impose strict conditions, including an insistence workers would not receive compensation in the case of bankruptcy. If negotiations to extend loans are agreed with Mr Jobst Wellensiek, the court-appointed administrator for Bremer Vulkan, this would be the first time Vereinsbank had granted

any credits to the shipping group.

Bremer has outstanding bank debts of over DM1.4bn owed to a consortium of 40 banks headed by Commerzbank. Vereinsbank denied reports in Die Welt am Sonntag newspaper that it would grant a "three-digit-million mark "

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#### Navigation Mixte in the red

Navigation Mixte, the French holding company for which Paribas has launched a takeover bid, reported losses of FFr1.507bn (\$298m) for 1995, against profits of FFr787m in the previous year. An operating profit of FFr704m was wiped out by two substantial charges. Navigation Mixte also reported a loss of FFr470m reflecting changes in the value of the shares it holds in Allianz Via Holding France, an insurance investment, It is currently pursuing a case against Allianz, the German insurer, in relation to the business. Andrew Jack, Paris

#### Daewoo Electronics ahead

Daewoo Electronics, the South Korean consumer electronics company, reported a 35 per cent increase in net earnings to Won47.2bn (\$60m) for 1995 as sales rose by 25 per cent to Won3,126bn. The growth was mainly due to increased exports, which now have higher margins than domestic sales following a recent price war in the domestic market. Daewoo has boosted shipments to developing countries, while accelerating production in the European Union and the US. It has set a 1996 sales target of Won4,000bn, and plans to spend Won1,000bn on research and development.

#### Hyundai Precision up 25%

Hyundai Precision & Industries, one of the world's largest container producers, reported a 25 per cent rise in net earnings to Won23.3bn (\$30m) for 1995 as sales rose by 25 per cent to Wont.986bn. Brisk demand for its four-wheel drive vehicle, the Galloper, and higher sales of containers and machine tools contributed to profit growth. It also benefited from a 80 per cent rise in exports to Won511bn. Hyundai estimated sales of Won2,740bn for 1996. John Burton

#### Johnson & Higgins expands

Johnson & Higgins, the large US-based international insurance broker famous for arranging insurance for the Titanic, has launched what it described as an "aggressive" UK acquisition spree with the purchase of a small Scottish broker. Corporate Risk. Mr Dan Jones, head of J&H's European operations, said the deal was a significant step for the privately-owned group because it had previously largely eschewed acquisitions in the UK. He said further deals could follow and did not rule out J&H acquiring a listed UK-based broker. "We have tended to grow on our own. This is an important step for us," Mr Jones said. "Our strategy is to become the dominant player in the large account market place for UK pics." large account market place for UK plcs."

Ralph Atkins, Insurance Correspondent

# Aiming to turn lossmakers into winners

Neil Buckley on how two entrepreneurs have built up retail empires

n a retail sector dominated by large, quoted groups, an Lunusual phenomenon has been occurring. In recent years, two entrepreneurs with somewhat controversial pasts have quietly assembled retail empires with combined turnover approaching £1bn.

Store chains controlled by Mr Philip Green - who added discount chain Mark One to his portfolio this week - and the Facia group, owned by Sheffield-based Mr Stephen Hinchliffe, are now the UK's biggest privately-owned retail groups after C&A and Littlewoods. As to who is bigger, Mr Hinchliffe claims to have more

stores; Mr Green higher sales. They have achieved their feat by buying up poorly-performing and lossmaking chains at knock-down prices, often from larger groups keen to be rid of them. But where did they - and their money - come

TOTAL 1996

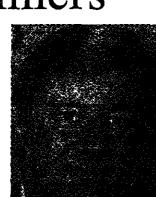
TOTAL's capital.

The State and the Company have

representatives on TOTAL's Board of

Directors will be reduced from two to one.

This modification of the existing



Stephen Hinchliffe (left) and Philip Green: conscious of City scepticism about their chances of success, but are defensive from? More importantly, can acquisition of Scottish discount cent Amber Day stake in April says one. "But there's more they make a success of the mixed bag of businesses they

now control? For Mr Green, 43, this is the second time he has built up a retail empire. The fast-talking, mobile phone-toting north Londoner rose to prominence, appropriately, in the boom years of the 1980s when he led the £5.5m takeover of Amber Day, then a struggling men's wear group. He returned it to profits, and made it a star stock market performer, in two

By 1992, however, he was forced to resign, after the £47m

TOTAL: SALE OF 4% OF THE CAPITAL BY THE FRENCH STATE

Thierry Desmarest, the Board of Directors of agreed. The terms of the letter have been

TOTAL examined the modifications to be approved by TOTAL's Board of Directors. The

brought in the Company's relationship with letter and subsequent modifications in the

the French State, in the light of the State's bylaws will be submitted to shareholders for

desire to sell shares representing 4% of approval at the Company Extraordinary

decided to revise their existing agreements, approval for the sale in the market by the

which expire on March 14, 2000. In French State of 9.5 million shares, equivalent

relationship is set forth in a draft letter to State will hold around 1% of TOTAL's capital.

particular, the number of the French State's to 4% of the Company's capital.

At its February 27 meeting chaired by which both the State and the Company have

CHANGE IN SHAREHOLDING

General Meeting in June.

conditions will allow it.

The Board of Directors also gave its

The sale can occur as soon as market

Following this transaction, the French

chain What Everyone Wants, led to a fall in profits and the share price - the latter exacerbated by a series of unfavoura-ble press reports of Mr Green's

associates and deals. The experience left him deeply suspicious of the City, and convinced he is not suited to a quoted-company environment. He sims to keep his new businesses privately-owned. "Maybe I get misunder-

stood," he says. "Maybe I talk too much.' Mr Green did not wait long to begin his comeback. Proceeds from selling his 10 per

1993 bought Parker and Franks, later transformed into the Xceptions discount chain. In December 1994, Mr Green acquired Owen Owen, the UK's fifth largest department store chain, including names such as Lewis's of Manchester. In April 1995, he bought One-Up, the discount chain later sold to

Primark.

Three months later came Owen & Robinson, which was put into administration and then sold last month after Mr Green reached a voluntary agreement with creditors on a refinancing. Last autumn, he bought the Olympus sportswear chain from Sears, with

Mr Tom Hunter, who runs the Sports Division chain. This month's acquisition of Mark One has brought his businesses' turnover to £500m, and employees to 10,000. He will not reveal the total cost of the businesses, saying only they were funded from

"conventional bank facilities and private cash". But the buyover. "It's time to consolidate. There are some interesting things around, but we have to make the stores we have already got work." By fine-tuning product

offers, exploiting the overlap of suppliers across the chains. and renegotiating expensive leases, Mr Green is convinced his group can be profitable. Analysts' views are mixed. "[Mr Green] is a real trader, and drives a hard bargain,"

became chairman of the new parent group Lynx Holdings, before leaving after disagreements in 1992. His retail ambitions emerged in August 1994 when he bought the lossmaking Salisbury's chain from jewellery group Signet for £3.18m. Sock Shop fol-

than that to running a

retailer." The creation of Facia

also marks something of a

comeback for the 45-year-old

Yorkshireman emerged as a

master deal-maker in the 1980s,

when he had computer and

property interests, and was

instrumental in the buy-

in/buy-out of Wades furniture

stores from Asda, ending up

with a 40 per cent holding. Wades was sold to Waring and

Mr Hinchliffe reversed his

computer company into Lynx

Group in 1989, in exchange for

a 25 per cent stake, and

Gillow for £7.3m in 1987.

The imposing, fair-haired

Mr Hinchliffe.

lowed in October, and then Torq, the jewellery chain fashion chain Red or Dead, bought for a "substantial cash sum" in January 1995. In quick succession, Mr Hinchliffe added Oakland Men-

swear, Contessa, the lingerie chain, Colibri of London, the men's accessories company and French & Scott, the cosmetics and toiletries group. By summer he was snapping up 245 shops in the Freeman Hardy Willis, Trueform, and Mansfield footwear chains from Sears. He added a further 134 Saxone and Curtess shoe shops from Sears last month.

The acquisitions have left Facia - of which Mr Hinchliffe owns 100 per cent - with 900 stores, 7,700 employees, and annual sales of more than £300m. "We have reached critical mass," he says, but does not rule out further acquisitions. A women's wear retailer has several times been men-

tioned as a possibility.

Mr Hinchliffe affects irritation when asked how he can turn around his underperforming chains. He says he has not bought "wrecks", but "well-established businesses which

have lost their way". "Everyone misses the point." he says. "What we have not done is buy the [head office] overheads as well. We have bought chains of stores with sizeable contributions.

His formula for turning the businesses around is similar to Mr Green's - establishing a leaner head office operation than the large quoted groups, and refocusing what he believes are strong brand names. His first accounts, published in April, should provide a clue to progress.

Both Mr Green and Mr Hinchliffe are conscious of City scepticism about their chances of success, but are defensive.

"I still think my track record stands up against anybody in the country, in terms of the things I have managed to achieve, and the companies I have bought." says Mr Green.

### One last try for Regal buy

By David Blackwell

Regal Hotel Group and Granada will today announce that a final attempt will be made this week to conclude negotiations over the sale of the White Hart hotel chain.

Regal agreed in January to pay £122m to buy 67 of the 72 White Hart hotels then owned by Forte, the hotels group. Granada, the TV and leisure group which took over Forte for £3.9bn at the end of January, had the right to rescind the contract.

However, the two sides have continued to negotiate, extend-ing Granada's right to rescind twice. They will announce today that the deadline of midnight last Friday has been extended by one week.

Mr Charles Vere Nicoll, chief executive of Regal, said yesterday that the negotiations were at an advanced stage, but technical issues were still under discussion. "There is a willing buyer and a willing seller, so one has to believe the technical issues can be resolved."

The deal would transform Regal, which was founded in 1993 with three hotels and now has 22. The group, which gained a full listing in May last year, would quadruple in size, giving it a strong pres-ence at the smaller end of the three-star provincial hotels market.
Mr Nicoll said the group,
which would pay in cash, had

had a "warm response" from its institutional shareholders and bankers. He added that this would be the last extension of the talks. The deal would be Granada's first disposal of Forte assets

desired result of greatly reducing the volatility in Prudential's earnings, said Mr Mark

Puccia, a managing director at Standard & Poor's, the US rat-

Prudential Insurance of America returned to profit in 1995 with after-tax earnings of \$579m, though the giant US insurance and financial services group remains only halfway through the restructuring under way since an overhaul of its top management 15 months

**US Prudential back** 

in the black with

\$579m for 1995

ago.
The mutual concern's latest earnings represent a rebound es of more than \$1bn the year before. However, on a capital base that averaged more than \$10bn during the year the results still fall far short of those of its more profitable rivals.

By Richard Waters in New York

The US group's 1994 results had been hit by the costs of compensating investors in limited partnerships sold by its securities subsidiary in the late 1980s, and by the falling bond Last year, by comparison.

the group benefited from the resurgence of the bond market, and from cost-cutting undertaken by the group's new chairman, Mr Arthur Ryan. Since arriving at the Prudential, Mr Ryan has also pushed ahead with a flotation of the group's reinsurance company and mortgage underwriter and servicer, and cut the compa-ny's exposure to catastrophe losses through its property/ca-

sualty business. Though arguably not sold for the best possible prices, these disposals have achieved the

ings agency. The Prudential also rebuilt its capital base last year by raising \$700m through the sale of surplus notes and \$661m in unrealised investment gains. Together with retained earnings, this lifted its capital by \$1.9bn from a year before, to

The stronger financial foot-ing makes the Prudential better able to meet the costs of settling legal claims arising from the sales practices of some of its agents. Along with several other big

US life insurers, the group's sales practices have been under investigation by a number of state insurance commis-

The Prudential is expected to agree a settlement running into hundreds of millions of dollars to put the controversy behind it. Even if the settlement tops

\$1bn, 'they could easily absorb it,' said Mr Puccia. However, such a large settlement could hurt the group's reputation and damage future sales of insurance products, a concern that made it likely S&P would reconsider the insurer's debt rating if it agrees a big settlement, he added.

Mr Lawrence Mayewski, an analyst at AM Best, the insur-1995 level, he said.

# TOTAL - 24 Cours Michelet - 92069 Paris La Defense Cedex - France

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from 4th March 1996

United Kingdom Government Bonds (Gilts) will become eligible for international clearing and settlement.

Gilts will also become eligible for use in Cedel Bank's value added repo services, including tri-party repo.

ance rating concern, said the biggest factor in the Pruden-tial's credit ratings surrounded its "ability to rebuild its earnings momentum". The group was likely to turn in earnings in 1996 roughly in line with the

loan, saying the figure was much lower.

John Burton, Seoul

#### **COMPANIES AND FINANCE**

# Move to speed up launch of German digital TV

By Judy Dempsey in Berlin

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terger plan

A multimedia consortium led by Bertelsmann, Germany's largest media and publishing group, has given Deutsche Telekom, the state-owned telecommunications network, the go-ahead to order 100,000 settop boxes for the launch of digital television later this year.

Set-top boxes decode television signals to allow video on demand, home shopping, banking and other interactive television services.

The Multimedia Betriebsgesellschaft (MMBG) consortium, which includes Deutsche Telekom and Canal Plus, the French commercial television network, wants to speed up the launch of digital television. US companies regard Ger-

many as an attractive target

because it is one of Europe's fastest growing media and television advertising markets. However, MMBG is still waiting for final approval from the European Commission, which in 1995 blocked earlier plans by Bertelsmann, Deut-

sche Telekom and the German Kirch media group to create a standard set-top box.
"We are reasonably optimistic we will obtain approval this time," the consortium said.

Deutsche Telekom is today

expected to hold a meeting in

Darmstadt, its technical headquarters, with five companies. including Philips of the Netherlands and Thomson of France which are competing to secure the contract to supply decoders to MMBG.

"Once the decoders are ordered, we hope we can launch digital television by the autumn," the consortium said. But MMBG will face domestic competition from Kirch.

MMBG failed last month to get Kirch on board, fuelling fears that the domestic market would be split between rival systems. Kirch has ordered 1m decoders from Nokia, the Finnish electronic and telecommunications group.

Despite the breakdown of

talks, there are signs that Kirch might join MMBG, but on conditions the consortium might find difficult to accept.

Kirch wants "a common interface system" allowing the consumer access to the MMBG package of programmes and the Kirch package but through one set-top box. The exchange of a module in the decoder would allow the consumer to switch between systems.

"If that system could work, it would give the consumer choice but it would also show which system was more attractive for the market," a media

# De Crespigny wrong-footed by Minorco

Anglo American's unit has abruptly ended a 10-year relationship, says Kenneth Gooding

hat started 10 years ago as a warm and wonderful relationship between Mr Harry Oppen heimer, doyen of the world's mining industry, and Mr Robert Champion de Crespigny, then a brash newcomer in Australia, seems certain to end in recriminations and tears.

Meanwhile, there are uncon-

firmed reports suggesting that

whether or not Kirch and

MMBG reach agreement, Kirch

is planning to set up its own

digital television consortium,

backed possibly by Debis, the

services division of Daimler-

Benz, and even Vebacom, the

telecommunications division of

Veba, the industrial congiom-

erate which has agreed in prin-

ciple to take a stake in MMBG.

group, wants to become a stra-

tegic partner in Slovak Tele-

communications, the national

Slovakian telecoms company,

Het Financieele Dagblad

reported that transport minis-

ter Ms Annemarie Jorritsma

had discussed this with her

Slovakian counterpart Mr

A PTT Telecom spokesman

confirmed it was interested in

view of its presence in the Czech Republic and Hungary,

but said it was much to early

to say anything concrete about

The company already has a

partnership, Isys-spol, with the Slovaks and Czechs, for train-

ing and exchange of software

Slovak Telecommunications

told the paper it was looking

for partners to finance its pro-

reports AFX News.

Alexander Rezes.

and hardware.

● KPN, the Dutch telecoms

Mr Oppenheimer, whose Anglo American Corporation of South Africa is the world's biggest natural resources group, chose Mr de Crespigny as his representative in Australia. In 1987, their association was solidified when Anglo allowed its Australian offshoot to be taken over by Poseiden then Mr de Crespigny's vehicle for mining expansion.

In the past, Mr de Crespigny has decribed Anglo as "an excellent partner and great supporter". But the relationship was abruptly ended on Friday when Anglo, via its sub-sidiary, Minorco, sold its 19 per cent shareholding in Mr de Crespigny's Normandy Poseidon group. Most of the stake was taken by Newcrest, another Australian gold group, and analysts assume a bid bat

tle is looming. Minorco's unfriendly gesture could not have come at a worse time for Mr de Crespigny. He was about to complete a fourway merger between Nor-mandy, Posgold, Gold Mines of



Harry Oppenheimer: unhappy with Normandy's proposed four-way merger

Kalgoorlie and North Flinders Mines to simplify his group's complex the structure and, he hoped, enhance its value.

It was this proposed merger that caused the break-up. Minorco sent out clear signals it did not much care for the idea when Mr de Crespigny made the first announcement. It said frostily it was "consider-

ing its position". According to Mr David Fisher, Minorco's finance director, when representatives from the Australian branch of the SBC Warburg investment bank

Mr Fisher said Minorco had walked in with an offer for the Normandy shares, it was an offer Minorco could not refuse. When Minorco's small stake

in Posgold is included, the Anglo subsidiary will collect US\$250m and show a profit on the shareholdings, before tax, of \$90m. Minorco can find plenty to do with the cash. It has become the offshore operating arm of Anglo outside Africa and, if all its plans and projects came to fruition, Minorco would have to find

about US\$2bn in the next five

long ago changed from being a holder of minority interests in other mining companies into a hands-on operating group. Yet the Normandy merger would

have reduced its stake in the

combined Australian group to

He made it clear Minorco was still interested in operating in Australia, one of the most important mining countries in the world.

less than 10 per cent.

Analysts suggest there were other potential areas for tension between Minorco and Mr de Crespigny, particularly now he has ambitions to build Normandy into a substantial player in the international

arena, not just in Australia. He made a big leap in this direction last year when Normandy took a 60 per cent stake in La Source Compagnie Minière, a joint venture based in Paris in which state-owned Bureau de Recherches Géologiques et Minières (BRGM) is the minority partner. This enabled Normandy to accomplish an international expansion programme that otherwise might

have taken 10 years. It also took it into mining projects in Africa, opening the way for conflicts of interest with Minorco, but there was no falling out at that time. In fact, it was Anglo that steered RRGM towards Mr de Crespigny when it put out feelers about the joint venture.

It is now 101/2 years since Mr de Crespigny set up in the mining business on his own, using A\$500,000 accumulated when working for a Perth accountancy firm. Today his family's 11 per cent stake in Normandy is worth about A\$110m.

As he built up Normandy. Mr de Crespigny gained a reputation for keeping rivals offbalance with a series of very complex deals. Now it appears that a very simple deal by Minorco has wrong-footed him.

# Femsa limits sales downturn to 5%

By Daniel Dombey in Mexico City

Steady demand for Coca-Cola, increased exports of beer, and a quickly growing packaging division helped Femsa, Mexico's largest drinks and consumer group, to limit a sales decline for 1995 to 5 per cent, despite a brutal recession which shrank consumer purchasing power by 21 per cent.

Turnover for 1995 stood at 12.8bn pesos (\$1.6bn), while higher than the 356m pesos operating profit was 1.27bn recorded. pesos, a 16 per cent fall in real peso terms compared with

dropped 13 per cent to 4.7m pesos while operating profits fell 39 per cent to 366m pesos. Foreign exchange losses caused by a falling peso led the company to record a loss for the quarter of 249m pesos.

Despite the severity of the Mexican recession, volumes fell by only 1 per cent and prices remained steady in real terms at Coca-Cola Femsa, the company's soft drink division, in which Femsa has a 51 per cent stake and which provides

35.5 per cent of group sales. While such figures reflect the relative inelasticity of demand for Coca-Cola in a market where soft drinks are seen as necessities rather than indulgences, analysts said the use of more expensive presentations by Pepsi bottlers may have helped Coca-Cola Fernsa

increase its market share. However, Femsa Coca-Cola's pesos. Its retail division, Oxxo, Argentinian operations experimarked up operating profits of enced a depressed year, with a 24m pesos.

6 per cent fall in volume. The income statements for Femsa and Femsa Coca-Cola, which is independently listed, were also affected by the companies' conservative calculation of the consequences for the monetary position of debt taken out to invest in the Argentine

By the companies' estimates. without this change, Coca-Cola Femsa's net income for 1995 would have been 95m pesos

The more elastic demand for beer in the Mexican market 1994. Net profits for the year of was illustrated by a 3.9 per 460m pesos compared with a cent fall in volumes for the loss of 706m pesos the previous year despite price increases of year.

Ror the fourth quarter, sales inflation for Femsa Cerveza. provided 38 per cent of total

> However, the company's market share remained steady throughout the year at around 46 per cent, possibly a sign that a more than 10-year decline in market share may have halted. Femsa Cerveza also

increased export volumes 21 per cent, despite a 5 per cent decline in sales in the US, its biggest market. "Any kind of increase in

export base beyond the United

States is good news," said Mr Scott Wilkins, an analyst at ING Barings in Mexico City. Femsa's packaging division which analysts praise for being one of the most modern in its sector in Latin America, reported sales of 2.6bn pesos, a 32 per cent increase on 1994, and operating profit of 409m This announcement appears as a matter of record only.

February 28, 1996

# The French Republic

has sold 9,500,000 Ordinary Shares in



for an amount of

FFr 3,097 million

#### Disappointing results from San Paulo bank

By John Simkins in Milan

Istituto Bancario San Paolo di Torino, one of Italy's largest banks, reported disappointing results, with net profits for 1995 up only 6.6 per cent at L503bn (\$322m).

The comparison is on a pro forma basis, which takes into account the merger during the year with Crediop and Banca Nazionale delle Comunicazione, formerly controlled by the state railways.

San Paolo, under the chairmanship of Mr Gianni Zandano, is at the heart of a powerful banking alliance which includes the banking group IMI and the partially privatised insurance company, Ina. The foundation which is the bank's holding company intends to cut its stake under 50 per cent.

"The results are considerable given that the bank continued to follow a policy of great caution and discipline in 1995." The bank said loan provisions of around L1.250bn had been made, compared with L800bn for 1994, and it now had a solid base on which to improve

However, James Capel, the UK stockbrokers, called the outcome "marginally disappointing". Although San Paolo has impressed analysts with its restructuring, the broker had been looking both for higher than reported net profits and a L10 increase in the final dividend. This stayed unchanged

at L240 a share, giving a total payout of L196bn.

The tax burden, which totalled L208bn, was reduced due to the exemption of tax on 1.225bn of profits set aside in line with merger provisions in the Amato Law on banking liberalisation. The bank said that the same fiscal benefits would

apply in 1996 and 1997. The return on equity was 5.3 per cent compared with 4.5 per cent in 1994. A Milan analyst said that this was poor given the low tax burden and that it was also low in comparison with the market sector rate of

around 6 per cent. Milan securities houses said the improvement in gross operating profit, up 13.1 at L1,929bn, also compared unfavourably with 1995 results of some other Italian banks. The sector is recovering from the instability of bond and equity markets and narrowing interest margins of 1994.

Among the big banks, Banca Commerciale Italiana recently raised the dividend on ordinary shares from L125 to L150, on net profits up from L265bn to L342bn, and Banca Nazionale del Lavoro restored its dividend after a seven-year gap. On Friday, when San Paolo announced its results, which will be presented to shareholders at the end of April, IMI confirmed that it would raise

its dividend from L400 to L500.

Net profits rose in 1995 from

1304bn to 1340bn.

Crédit Lyonnais and Lehman Brothers acted as underwriters and placing agents for these shares, which have been distributed to investors worldwide.

LEHMAN BROTHERS



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# New masters and the soufflé effect

A drop in performance often follows a change of owners, says Norma Cohen in this new Monday column

management house's perfor-mance when ownership of the business changes hands? Does it respond like an industrial manufacturer, rejuvenated by new ownership, or is it more akin to a souffle which collapses if the temperature

changes? A look at some fund management houses which have changed hands recently suggests the latter description may be more appropriate than

Barings Asset Management, which was acquired by ING last year following the collapse of its former parent, is one example. Already entering 1995 with underperformance in UK equities, its median "balanced" portfolio turned in a return of 16.5 per cent for the year, against a median of 19.6 per cent for the industry, as measured by Combined Actuarial Performance Services, a widely used performance measurer for pension funds.

Newton Investment Management, which had enjoyed several years of spectacular returns, sold a 33 per cent to Royal Bank of Scotland in 1994. Newton underperformed the CAPS median by 3.9 per cent in 1994 and by 5.5 per cent in

Gartmore, the fund management company acquired last month by National Westminster Bank, outperformed competitors most years in the decade to 1993. But in that year its then owner, Banque Indosuez, floated a 25 per cent stake in the company. Since then, its performance has only straddled the median.

The pattern is not unique to the UK. Mellon Bank bought Dreyfus, the mutual funds group in 1994, at a time when more than half the funds in its stable were earning returns better than the average of their respective competitors. In the years since, the percentage of funds in that category has fallen to fewer than half, according to data from Lipper Analytical Services.

advise pension funds on choice of fund manager have known for years that a change of ownership can signal a dramatic shift in performance. "The change of ownership is the greatest area of concern from a consulting standpoint," says Mr Len Brennan, managing director of investment consultants Frank Russell Co in Lon-

But he urges caution on clients who may think of switching managers, because the costs of moving from one active fund manager to another will cream roughly

**FUND** 

#### **MANAGEMENT**

one percentage point off a portfolio's returns for the next

There is also no conclusive evidence that a change of ownership necessarily undermines performance. Indeed, there are numerous examples of fund managers which have thrived under new ownership.

Since Deutsche Bank acquired investment bank Morgan Grenfell in 1989, Morgan's once-sleepy fund management arm has become one of the UK's fastest growing houses. US-based Alliance Capital has become one of the world's few international fund management groups since its acquisition by Axa in the late 1980's. What really matters, consultants say, is the nature of the

Little upset is likely, says Mr Brennan, when a passive owner - one which has allowed the fund manager to function more or less autonomously - sells the business to

another passive owner. The problem is that few owners are passive. Most, he notes. are hoping for some synergies with their existing businesses. It is the process of merging investment strategies and mar-

Investment consultants who dvise pension funds on choice greatest upset. In the case of Newton, the firm took on the running of a significant num-ber of retail funds on behalf of Royal Bank of Scotland, almost funds under management grew sharply.

A difference of investment styles appears to have been a factor in the recent breakdown of talks over the possible acquisition by Friends Provi-dent of British Coal's in-house pension fund manager, CIN-Man. During takeover discussions it became obvious that CINMan's contrarian style would not fit easily in the

Friends Provident mould.

Other consultants note that fund management companies often change hands just at the point that the dynamic managers which run them are approaching retirement age.
"The question is whether the management is just cashing in their chips," says Mr Nigel O'Sullivan, partner in the investment practice at actuarjal consultants Bacon and Woodrow. Even if these managers are tied into the firm with "golden handcuffs", these may be too old and too rich to

ness grows.
"The problem is we are in a one-generation business," says Mr John Casey, partner at RogersCasey, a Connecticutbased investment consulting firm. "The question is whether they have invested in a younger generation of investment managers. The firms more prone to do less well (after acquisition) are those where the principals are cashing out without having trained anyone to follow them," he

care much about how the busi-

These sobering thoughts may dampen the enthusiasm of the insurance companies and banks, some of which are paying historically high prices for businesses which offer considerable risks. After all, poor performance leads to a loss of funds under management and that means lower revenue.

#### Wellensiek in the Bremer Vulkan hot seat

In Germany he's known as 'Mr Composition.' Johst Wellensiek is the 64-year-old lawyer brought in by shipbuilder Bremer Vulkan to oversee Vergleich (composition), a particularly German procedure which attempts to stave off bankruptcy by reducing and rescheduling a company's debts, Judy Dempsey writes.

Wellensiek, who set up as an insolvency expert in Heidelberg in 1964, has been involved in over 350 cases since then and now employs some 70 specialists in the field.

He is a very direct, open man, with a knack of explaining complicated financial affairs in terms the layman can understand. He is sensitive to those whose jobs are on the line, but outspokenly critical when he thinks management has been lax. His career tracks the decline of some

of Germany's industrial giants. In the late 1980s, he dealt with the Bavarian-based Maxhütte steel works, a three-year marathon where he ended up saving 1,600 of the 4,675 jobs. Today, he is winding up Pilz, the east German CD manufacturer which failed to ride

out German unification. Insolvency work pays well: his office has already been given DM10m (\$6.8m) by the banks to cover Bremer Vulkan's legal fees. But the shipyard's workers

are not complaining: "Legal fees of DM10m? We don't care. We just want him to save jobs. We trust him," is a

# Sharon learns history's

hardest lesson

Some liberators are just not appreciated, Nicholas Denton writes. Andre Sharon, head of Merrill Lynch's European research department, was going to free the analysts of Smith New Court. As part of the UK marketmaker, they were at the beck of its dominant sales and trading business; as part of Merrill Lynch, they would have the independence that comes from providing services to

several divisions. But Smith's analysts have proved a surprisingly conservative lot. The erudite Sharon likes reminding people that, when the Bastille was liberated during the French Revolution, some prisoners refused to leave. Just over a week ago, there was a full-scale revolt by some of his analysts. In the management reshuffle which followed, Sharon lost many of his day-to-day

responsibilities.
Even Sharon's opponents in the turf war acknowledge his broad mind. He was brought up in Egypt, Jewish by religion, speaking French at home and going to an English-style public school. Most of his career was spent in the US as an analyst at one of the firms that made up Drexel Burnham Lambert. He commands great loyalty from

employees who have had the time to get to know him. But Smith analysts have not had that time, and had to cope also with differences of age and

But above all, Sharon was the personification of the global identity and procedure which Merrill is gradually imposing on Smith. There was not much he could do about that. "Probably I should have explained a little more," says Sharon.
"Whether people would have heard is

# BZW ages but the

It is a decade since London's Big Bang, when the structure of the securities industry was blown into a new shape by the abandonment of fixed commission and the distinction between firms of stockbrokers, who advised investors, and jobbers, who made a two-way market in shares.

At BZW, the investment banking

arm of Barclays, chairman Sir Peter Middleton and chief executive David Band don't intend to let the 10th anniversary pass unmarked. The firm - formed from a merger of Barclays Merchant Bank, broker de Zoete & Bevan and jobber Wedd Durlacher - is taking over the entire set of banqueting rooms at London's luxury

Savoy hotel on May 7.
It is perhaps lucky that Granada, the British media and catering company which numbers BZW among its

THE THAI PRIME FUND LIMITED

(Incorporated in the Republic of Singapore)

**Notice of Eighth Annual General Meeting** 

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of the Company will be held at the Meeting Room, 3rd Floor, Investment Trust Department, The Nomura Securities Co., Ltd., Dai-Ichi

Edobashi Building, 1-9-1, Nihonbashi, Chuo-Ku, Tokyo, Japan on Wednesday, 27 March 1996 at 9.00 a.m.

2. (i) To re-elect the following Directors retiring under the provisions of Article 118 of the Company's

(ii) To re-elect Mr Harunobu Aono retiring under the provisions of Article 109 of the Company's Articles

To re-appoint KPMG Peat Marwick as Auditors and to authorise the Directors to fix their

(a) To declare a second and final dividend of US\$0.50 tax exempt per Redeemable Preferred Share

A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote in his

stead. A proxy need not be a Member of the Company. The instrument appointing a proxy must be lodged at the registered office of

the Company not less than 48 hours before the time set for holding the Meeting. There is no Directors' Service Contract in existence.

(b) To approve the amount of US\$10,000 proposed as Directors' Fees.

To receive and adopt the audited accounts for the year ended 31 December 1995 and the Directors'

advisers, succeeded in its hostile bld for hotels group Forte, which has a 68 per cent stake in the Savoy. The investment bank can be excused a soft spot for the hotel – and thoughts of its share of the £140m City advisory fee feast arising from the takeover will no doubt help slow the rush of blood when the party bill is presented.

#### Golfer negotiates a Hungarian minefield

There was a sigh of relief all round in Budapest last week when Hungary's Socialist-led government opted for Peter Medgyessy as its new finance minister. The BUX index - which had lost 5 per cent on the resignation of Lajos Bokros a week earlier - soared by 5.8 per cent as foreign buyers switched funds back to the country, writes Virginia Marsh.

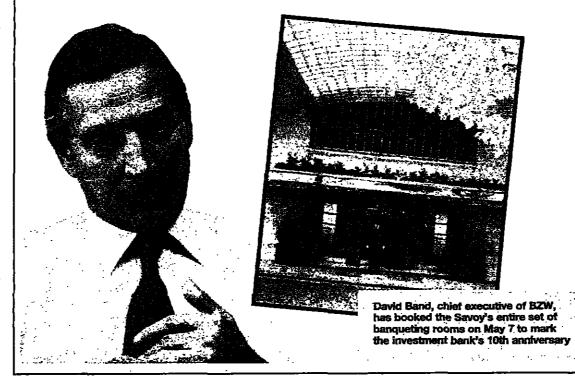
Medgyessy, a 53-year-old banker, is well known in both local and international financial circles and analysts rate him as a safe pair of hands to lead Hungary through the minefield of welfare and public finance reform. While considered less dynamic than the charismatic Bokros, former colleagues say Medgyessy is more of a team player and a better communicator than his predecessor. whose bluntness and self-confidence irritated many in the cabinet.

Medgyessy, who is due to be sworn in today, is no stranger to the public sector. Before becoming head of Banque Paribas' local operation in 1990, he spent more than 20 years at the finance ministry, which he joined straight from taking a doctorate at Budapest's University of Economics.

He rose through the ranks to become deputy prime minister in 1988 in the last communist-era government, the reformist administration of Miklos Nemeth.

Medgyessy - a rare francophone in a local financial community dominated by English and German speakers was canny enough to turn down the job last February. He said on Thursday he had accepted this time around because, unlike a year ago, there is no mistaking the Socialists' commitment to reform. Still, Medgyessy, an avid golfer, will have a tough task persuading many in the party, the former communists, to accept welfare and public spending cuts.

Hungary's sixth finance minister in as many years, he says he intends to stay in office until the next elections, due in 1998. But - no doubt with his predecessors' track record in mind he has made sure that, should he have to step down before then, he can return to the Hungarian Bank for Investment and Development, of which he became chief executive after the Socialists' victory in 1994.



to transact the following business:-

Articles of Association (a) Mr Katsuya Takanashi

remuneration.

(b) Mr. Udom Vichayabhai.

AS SPECIAL BUSINESS

Any other business.

**CLAIRE THAM LI MEI (MS)** 

By Order of the Board

Secretary

Singapore

1 March 1996

for the year ended 31 December 1995

and Auditors' Reports thereon.



#### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the shareholders of Nokia Corporation (the 'Company') of the Annual General Meeting ('AGM') to be held on Tuesday, 2nd April, 1996 at 3.00pm at The Helsinki Fair Centre, Congress Wing, Congress Hall C1, Rautatielaisenkatu 3, Helsinki, Finland.

The following matters specified in Article 12 of the Articles of Association will be on the agenda of

- a) review of the annual accounts, comprising the Profit and Loss Account, the Balance Sheet, the Annual Report of the Board of Directors and the Consolidated Accounts. review of the Auditors' Report.
- approval of the Profit and Loss Account, the Balance Sheet, the Group Profit and Loss Account and the Group Balance Sheet.
- decision on any measures to which the profit or loss shown in the approved Balance Sheet or Group Balance Sheet may give rise.
- decision on discharging the members of the Board of Directors and the President from liability. decision on the number of members to serve on the Board of Directors.
- decision on the remuneration to be paid to the members of the Board of Directors and to the
- appointment of members of the Board of Directors, and appointment of the auditors and the deputy auditors.

The accounts for the 1995 financial year will be on display from March 26th, 1996 at the Company's Head Office at Eteläespianadi 12, Helsinki, Finland, and the offices of Enskilda, Skandinaviska. Enskilda Banken at 2 Cannon Street, London EC4M 6XX. The full annual report in Finnish, Swedish and English will be available at the Company's Head Office from March 26th, 1996 and will be sent to shareholders upon request to the Registrar. Copies of the full annual report will also be available from Enskilda from 26th March, 1996.

Shareholders who are registered in the Shareholders register not later than 22nd March, 1996 and who wish to exercise their voting rights at the AGM must give notice to the Company of their intention to attend not later than 29th March, 1996 at 4.00pm. Notice may be given to the Shareholders' Registrar in person at the Office of the Company at Eteläesplanadi 14, Helsinki, Finland, during office hours, or by telephone (358) 0 1807 390, or in writing to the Shareholders' Registrar, Nokia Corporation, P.O. Box 226, SF-00101, Helsinki, Finland, Written notice should arrive no later than 29th March, 1996.

The record date for the dividend for 1995 is 9th April, 1996. The Board will propose to the AGM that the dividend be paid on 16th April. 1996.

Helsinki, February 1996 Board of Directors of Nokia Corporation

#### SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE TEL: (301) 3311456 - 3245674 REUTERS PAGES: ATGG-H-I FAX: (301) 3252241 - TELEX 210733 ATRA GR TELERATE PAGES: 17890-1-2 ATHENS STOCK EXCHANGE Feb 23rd - March 1st 1996 GDP (USD bn) 95e Per Cepita Income (USD) Inflation Rine (% Y.O.Y. January 96) P/E 95e (after tax) "¿Chg (Prev Wk) 4.21 PE 94 (after tax) FPS GROWTH (%) 950 12 Month T-bill (%, end of February issue) 20.6 P/CE 95e:94 Yearly Low WEEKLEY VOLUME (USD m) 140 38 P/ BV 95e/94 GDR/US\$ 242.38 A.S.E. Market Cooltain Morr - 1/3/96 (USD bri 1 Y Wk Avg. (USD m) 130.69 POs & Rights Issues (in USD m) 1 Jan 76 -1 Mar 98 47.52

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4th March, 1996

#### 275,000,000 HMC FINANCING 3 PLC Class A Mortgage Backed Floating Rate Notes due December 2018

Notes one precentate and Notice is hereby given that there will be a principal payment of \$1,800.00 per Note on the interest payment date March 15, 1996. The principal amount outstanding per Note will be £28,136,49.

By: The Chase Menhatian Bank, N.A. Luation, Agent Bank March 4, 1996

265,900,000 **CARPS III Limited** Secured Amortising Floating Pate Notes due 1999

For the three month interest period February 29, 1996 to Mey 31, 1996, the rate has been determined at 5.3875%. The interest payment data from the relevant interest payment data May 31, 1996 will be 5253.42 per 255,007.24 principal amount of Notice.

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7 (5). Redemption at the Option of EDF, the issur has called for redemption on the next later-ext Payment Data failing on 7 May 1996 all the custanding Bonds, at 104 %. The Bonds will

Payment of orincipal and account lessest will be made upon presentation and surrender of the Bonds together with all unmahared coupons at

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irg, 4th March 1996

Floating Rate Notes due 1997 2.52% p.a. 4th March, 1996

(on Notes of ¥100.000.0001 Payment Date: 3rd September, 1996 SAKURA TRUST INTERNATIONAL LIMITED

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This survey will now be published on 7 March 1996

**Lesley Sumner** Tel: +44 (0) 171 873 3308 Fax: +44 (0) 171 873 3064

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In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from February 29th, 1996 to May 31st, 1996, has been fixed at 6.3125 per cent, per armum.

On May 31st, 1996 Interest of sterling 79.55 per sterling 5000 nominal amount of the Notes, and interest of sterling 397.77 per sterling 25,000 nominal amount of the Notes, will be due against Coupon No. 48

AUSTRALIA AND

**& SBC Warburg** 

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> Lesley Sumner on +44 0171 873 3308



To the holders of Mortgage Capital Trust I Collateralized Mortgage Obligations, Series A Class A-1 Bonds Due 1st June, 2017

By: Bankers Trust Company, as Trustee.

Notice is hereby given that the interest rate on the Class A-1 Bonds for the interest period 1st March, 1996 through 1st June, 1996 is 5,9125% per annum.

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Who had

# Global Investor / Peter Martin

# Timely concept or nostalgic echo?



ers pass their verdict on 13 years of Felipe Gonzalez's socialist gov-

ernment, the world's investors long ago voted with their feet. Between 1985 and 1988, Spain could do no wrong in their eyes. Powered in part by the view that the country was about to become Europe's California - a sun-soaked home for low-cost greenfield manufacturing - the stock market soared in both absolute and relative terms.

Since then, Spain has been firmly out of favour. True, the overhauled. market outperformed the European average last year but that was largely because of the pan-European strength of two sectors, utilities and banks, both heavily represented in the

Spanish index. Sentiment has been consistently negative: any broker trying to paint Spain as Europe's California was wasting his time. Now, with the political climate shifting, is it time to resurrect the concept? Or is it just a nostalgic echo of the 1980s?

In economic terms, the concept looks reasonably plausible. GDP has grown respectably in the past decade; the country has built a big, competitive auto industry, tourism has made brave moves upmarket; and much of the business infrastructure, from banking to computers, has been

But the absence of serious social unrest suggests that the jobless numbers conceal informal or part-time activities.

entry to the EU in 1986, and the deepening of the single market in 1993, would make it attractive has been largely borne out. It has not spilled over into the equity market, however. Instead, companies behind the rebirth of manufacturing have been the multinationals - good news for technology and management but

Spanish stocks. Indeed, as Nick Stevenson, European strategist at SBC Warburg points out, the stock market scarcely reflects the real economy. Two of the country's most attractive features -True, unemployment its tourism industry and the remains at damaging levels. retailing potential of its relatively large population - are barely represented. There are no large listed hotel or leisure companies; and until recently

little help for investors in

So the theory that Spain's there were no quoted retail groups either. This situation is improving:

there are now three quoted retailers and in May Grupo Sol Melia, the largest hotel company, comes to the market. But the underlying issue remains. The equity market remains dominated by essentially domestically-oriented companies; they provide little expo-

sure to external trade. Thus, a peseta devaluation may make the economy more competitive and boost profitability of exporters; but it does little or nothing to help the earnings of quoted companies. Indeed, since many of the electricity utilities have big foreign currency borrowings, a devaluation actually hurts the profitability of this important sector

of the market.

the businesses sold off have little exposure to Spain's export competitiveness. A generational change in family-owned businesses might prove a more effective remedy, but is inevitably a matter of time.

So though Spain looks cheap - it is selling at about 12 times 1997 earnings, compared with a European average of 14 - this largely reflects the structure of the stock market rather than any inherent judgment on the economy's attractiveness. Such judgments may, in any case, be out of fashion. In the 1980s, the search was for big stories, seductive concepts such as "Spain is Europe's California", "The approach of EMU means rapid convergence in interest rates and per capita GDP", or "United Germany is Europe's

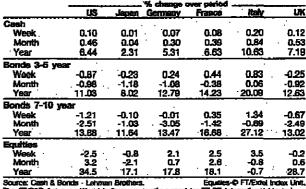
Spanish equities

1985 87 89 91 93 95 Now, though country judgments are still popular, pan-

European sectoral issues are more important. Many country judgments are, in fact, little more than reinterpretations of the broader sectoral themes in local terms. Thus, the poor performance

of Spain's electricity utilities in recent months is put down to the possibility of a tighter approach to regulation by an incoming Aznar government.

#### Total return in local currency to 29/2/96



But electricity utilities across pulled out in time made a great Europe have done poorly deal of money out of the recently, affected by worsening theme. Second, that for the bond yields and other sectoral issues. The Spanish explanation may be no more than a cepts. Those who believe, how-local grace-note to this more ever, that the growing general theme.

The lesson of the path traced by Spanish equities is two-fold. buying is over are likely to First, that the concept buying of the mid-1980s was always unrealistically optimistic though those investors who

moment there is little enthusiasm for such sweeping consophistication of international investors means that concept prove as mistaken as those who saw a clutch of Intels under every Spanish boulder in

#### COMPANY RESULTS DUE

#### Aluminium and steel help lift Hoogovens

Hoogovens, the Netherlands' only steel producer, is forecast ond-half's relative weakness, on Thursday to post net profits compared with the first, to cur-of between Fl 500m and rency factors but also to a soft-Fl 550m in 1995, up sharply ening in steel prices and from Fl 354m in 1994. The rise, due to a strong performance in the first half in particular. reflects substantially higher results from steel operations its biggest business - and a further recovery in aluminium earnings. In 1994 aluminium was lossmaking for the year as a whole, though it moved into the black in the second half of that year and has remained

profitable throughout 1995. The company itself has pre-

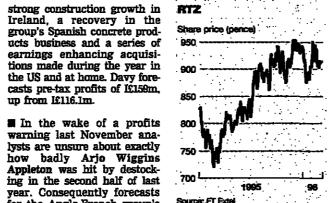
that second-half results were unlikely to match the level of the first six months, when net profits surged nearly five-fold from Fl 63m to Fl 303m. Nevertheless, Hoogovens insisted second-half results would still be high overall.

Analysts attribute the secening in steel prices and slightly more hesitant demand in late 1995. Hoogovens, along with the Netherlands' chemicals companies, is among the most cyclical stocks on the Amsterdam stock exchange.

**■ CRH**, the Irish building materials group, is expected to ety of factors are likely to have dicted that results will be "sub-improvement, among them manufacturing operations.

stantially higher". But it strong construction growth in already noted in the summer Ireland, a recovery in the group's Spanish concrete products business and a series of earnings enhancing acquisi-tions made during the year in the US and at home. Davy forecasts pre-tax profits of I£159m, up from I£116.1m.

warning last November analysts are unsure about exactly how badly Arjo Wiggins Appleton was hit by destocking in the second half of last year. Consequently forecasts for the Anglo-French group's 1995 profits, excluding exceptional items, range widely from £180m to £210m, against £229m in 1994. Acquisitions on the merchanting side during the year will have boosted revereport a sharp increase in profits for 1995. According to Dubnew businesses will have been nues, but contributions from lin broking house Davy, a vari- more than offset by decline in demand and the £100m cost of been behind the impressive restructuring Arjo's European



■ Rolls-Royce, the aero engine and industrial power group, announces full year results on Thursday, with analysts expecting pre-tax profits of between £150m and £160m. compared with £101m last time. It has had a string of recent successes in Asia, winning engine orders from Singapore Airlines and Malaysia Air-

lines. The group is likely to be asked about the level of pricecutting in the business and the status of other impending engine orders, such as one from South African Airways.

new economic powerhouse".

■ BAT Industries is expected to report on Wednesday a rise in pre-exceptional pre-tax profits of about 25 per cent to £2.45bn for the year to December. Tobacco will lead the way with a rise of some 33 per cent in operating profits. The acquisition of American Tobacco, recovery in Brazil and fast rising volumes in eastern Europe will all contribute. Financial services profits should be up about 15 per cent to £1bn. The net dividend should rise by about 10 per cent to 24p from normalised earnings per share up 13 per cent at 48p.

■ Cadbury Schweppes will show pre-tax profit growth of about 10 per cent to £525m

positive side are the first 10 month's contribution from Dr Pepper/Seven-Up Companies in the US, elimination of heavy losses from Spanish bottling and encouraging growth from some overseas drinks markets such as South Africa. On the negative side, confectionery has had a dull year thanks to hot weather in the UK and plant commissioning costs in some countries. Expect a

■ Although RTZ, the UK-based mining group, and CRA, its Australian associate, completed the arrangements to become "dual listed companies" (which had the same effect as if they had merged) only in December, they will report combined results for 1995. The group has become much more difficult to analyse because it now produces such a wide range of metals and

divided of 16.5p (15.6p).

will report profit before tax ures from a year ago. and exceptional items somewhere between £1.39bn and

■ Glaxo Wellcome, the world's biggest pharmaceuticals company by sales, will on Wednesday March 6 present its first full year's results since Glaxo bought Wellcome. The figures will be complicated not only by the takeover but by the £1.2bn is provisions for the cost of merging the two businesses. Analysts are expecting pro-

forma pre-tax pre-exceptional charge profits of about £2.5bn, up about 10 per cent on 1994. The increase will come about partly because of the rapid reduction in debt levels possible by such a cash generative business, and in spite of falling sales from its largest and probably most profitable product, ulcer treatment Zantac.

Turnover for the year should when it reports year-end minerals. But analysts forecast come in a shade under £8bn,

results on Wednesday. On the that RTZ-CRA on Thursday up 5 per cent on pro-forma fig-

■ The prospect of further

restructuring could feature in full year results on Thursday from Zeneca, the UK's third biggest pharmaceuticals company. In January, the company announced a £60m restructuring charge relating to its supply chain, and last month said it would put its seeds division into a joint venture. Its speciality chemicals operation could be looked at next, suggest analysts. The figures for 1995 will be distorted by the restructuring charge. Pre-tax pre-charge profits are likely to be more than £850m, compared with £659m last year. Turnover could be close to £5bn, compared with £4.48bn for 1994. Analysts will be looking out for sales figures for Zestril, the heart drug that is the company's biggest product but whose market is becoming increasingly competitive.

#### INTERNATIONAL EDUCTES By Antonia Starpe

# **Bought deal saves French face**

The French government's decision last week to sell off most of its remaining stake in Total, the oil company, through its first "bought deal" has done much to restore investor confidence in its of 1995. maligned privatisation pro-

By the end of last year, two difficult sell-offs had reduced the programme to tatters and landed the French with an unenviable reputation as an inflexible and arrogant cus-

An abysmal share price performance by Usinor Sacilor, the steel company, since its privatisation in the summer deterred investors from participating in December's privatisation of Pechiney, the aluminium and packaging company. Although Pechiney's shares are now trading at a healthy premium to the issue price, the difficult launch and recriminations from investors that yet again the government had not

listened to the market finally

FFr40bn (\$8bn) has been set this year - the government needed a successful transaction to erase the bad memories

ment's sale of its remaining £500m stake in British Petroleum through a bought deal last December, the French gov-ernment called in the same advisers, NM Rothschild, to conduct a similar auction of its Total stake.

A bought deal involves a bank buying shares using its own capital and then selling them on to investors at a profit. It is riskier than a bookbuilt offering because the bank can suffer heavy losses if it unable to sell the shares. For the vendor, the bought deal route is faster but it usually has to accept a lower price in return for speed and

secrecy.

Taking advantage of the firm tone in the French stock mar-

With a heavy pipeline of pri-vatisations ahead - a target of start of the year, Rothschild called about four banks or groups of banks to its Paris office late on Tuesday evening. On the block stood 9.5m Total shares, or 4 per cent of its capi-Impressed by the speed and tal, which would leave the government with a 1 per cent ernment with a 1 per cent

Crédit Lyonnais and Lehman Brothers won the auction by bidding to sell the stock on to investors at FFr326 each, or a 2.4 per cent discount to Tuesday's closing price. They are believed to have earned a commission of between 0.5 and 0.7 per cent on the FFr3.1bn (\$619m) transaction.

The speed with which the stock was placed - by 9am the following morning - and the resilience of the share price afterwards delighted the French. "The sale has been a success for investors, for the company and for the govern-ment. Everyone is happy," said one government official.

sale sent an important message

make money on French privatisations. "This deal was a new departure for the French and it worked," said one banker involved in the transaction. Hopes are running high

among the banks that the French government will use the bought deal technique more often, and that other governments will also use it to dispose of rump holdings. There is speculation that the French government will use this route to sell up to two-thirds of its residual 10 per cent stake in Elf, another oil company, and perhaps to sell stock in Credit

But while the bought deal has given the French privatisation programme a new lease of life, it is not the answer for the many IPOs and secondary offerings which are planned because they would be too large for any bank to take on. To ensure that these are as successful as Total, the govern-More importantly, the Total ment will have to listen hard to what the market is saying.

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#### FT/S&P ACTUARIES WORLD INDICES

	REGIONAL MARKETS	US	%cha	Pound			Local	Local %	GE USS	ູບຮ	Pound			_ Libitali			Teas
	Agures in parentheses	Dollar	since	Sterling	Yen	DM		cho from	Div.		Sterling	Yen		Currency			ego .
	show number of lines	Index	29/12/95	Index	Index	Index	index	29/12/95	Yleid	Index	index	index	index	Index	High	Low	(approx)
	of stock	INDEX	28/12/80	<del></del>					- 0 04	201.10	194.75	133.69	153.66	174.91	202.57	158.79	163.85
		.202.57	6.6	196.51	135.03	155.44	178.93	4.1	3.81						199.28	168.11	186.31
	Australia (81)	197 12	7.2	181.52	124,73	143.58	143,42	10.5	1.60	188.23	180.35	123.80	142.29	142.14		172.86	172.86
	Austria (26)	212.02	1.8	206.45	141.86	163.30	159.25	4.9	3.31	211.72	205.04	140.75	181.77	157.77	215.61		
-	m · · · · · · · · · · · · · · · · · · ·		15.0	153.82	105,70	121.67	287.15	16.4	1.61	154.94	150.05	103.00	118.38	280.86	170.25	86.06	129.29
			4.2	150.03	103.10	118,68	153.28	4.5	2.45	153.63	148.78	102.13	117.39	152.61	158,71	125.64	126.39
			5,1	294,33	202.25	292.B1	235.31	8.1	1.61	302.54	292.98	201.12	231.16	233.89	305.17	<u>252</u> 41	262.49
			-1.5	178.80	122.86	141.43	176.32	3.4	1.96	183,44	177.84	121.95	140.16	174,97	276.11	171.13	186.11
ξ-				185.22	127.28	148.51	151,48	10.1	3.08	189.23	183.26	125.80	144.59	149,55	191.17	161.53	164.34
₹.			. 6.4	168.59	115.85	133.35	133,35	9.5	1,83	172.55	167.10	114,71	131.84	191.84	173,79	142.25	151 <i>.4</i> 2
-			6.2	424.64	291.80	335.89	434,52	129	3.2B	434.11	420.41	288.60	331,70	430.9D	451,19	323,87	339.07
-			12.9		173.48	198.68	233.07	3.8	3.33	258.47	250.31	171.83	197,49	231,19	262,70	205.44	214.74
			1.9	252.45		58.76	89.31	23	1.69	76.32	73.91	50.74	58.31	88.74	82.71	65.45	75.68
•	Ireland (16)	76.58	3.9	74.28	51.05		99.71	-1.8	0.76	149.50	144.78	99.36	114.23	99.39	164.82	137.56	137.56
٠	Italy (58)	149.59	-3.5	145.11	99.71	114.78	519.32	9.5	1.52	523.00	506.49	347.69	399.61	513.39	561.98	425.77	488.07
	Japan (482)	629.77	9.2	513,91	353.14	406.48				1080.47	1048:35	71B.29	825.58	9001.76	1237.14	647.81	809.42
			7.0	1075.45	739.02	860.67	9202.57	5.5	1.51							225.62	225.62
•			28	271,45	186.53	214.72	211.01	5.8	3.25	279.25	270.43	185.84	213.37	209.72	283.23	72.39	73.45
	Netherland (19)	~ 19.00 ~ 19.00	22	78.95	54.25	62.45	64.12		4,65	81.45	78.88	54,15	62.23	64.24	85.49		
			3.3	231.68	159.21	183,26	208.16	5.0	2,29	234.87	227.48	156.14	179.48	203.99	243.79	202.76	211.60
	New Zealand (1-3)	_238,83	9.6 1.6	432.93	297.50	342,45	290,40	9.4	1.39	448.86	434.68	298,40	342.96	292.11	465.21	348.10	353.99
				377.20	259.20	298.36	331.03	7.8	3.13	390.81	378.47	259.81	298.61	330.57	437.76	308.13	308.13
	South Airlea (45)	.388.84	0.9		116.54	134.14	164.43	8.3	3.66	175.32	169,78	116.55	133.96	164.32	175.88	124,10	133.48
	South Africa (45)	174.82	5.6	169.59	225.61	259.69	338.90	10.7	2.26	336.16	325.55	223.48	256.85	335.92	342.56	232.23	243.07
	Spain (3/)	338,45	8.4	328.31		178.22	173.29	2.9	1.57	291.19	223,89	153.70	176.65	171.78	239.55	171,94	173.20
-	Spain (37)	232.27	-1.6	225.32	154.83		175.65	6.7	2.00	179.42	173.75	119.27	137.09	175.55	193.95	130,15	147.64
	Switzertand (38)	179.35	6.6	173.97	119.55	137.61	224,78	2.1	4.06	230.54	223.26	153.26	176.15	223.25	235.50	193.41	194.60
			0.5	224.76	154.45	177.78		4.8	2.20	261.90	283.83				289.11	197.20	198.91
	Theiland 146)	201.70	4.8	255.35	175.47	201.98	263.24	4.0	220	20130	200.00	174.11	200,11	261.90	209.11	181 20	100.71
	USA (631)	<u>.20024</u>				184.23	201.83	4.9	2.20	298.79	231,25	158.75	182.45	200.76	245.54	180.00	182.06
	331/42-1	240.10	4.8	232.91	160.05	158.39	178.85	5.3	2.99	205.32	198.84	136.50	156.88	177.37	206.61	189.63	172.27
	Americas (778)	206.42	2.8	200.24	137.60	224.22	253.80	8.6	2.11	290.21	281.04	197.93	221.74	251.39	285.02	222.22	232.93
			. 60	283.47	194.79		111.96	0.5	1.18	183.07	157.92	108,40	124.59	111.50	171.67	146.97	146.97
-	Nordic (137)	100 3R	-1.1	158.47	108.89	125.35	137.28	2.7	2.05	180.57	174.87	120.04			183,39	157.A2	157.42
	Nordic (137)	_100.00	0.7	175.77	120.79	139.D4				255.22			137.97	135.44	262.26	182.77	194.42
			4.8	248.85	171.00	196.84	255.88	4.8	2.21		247.16	169.87	195,01	254.59		152.02	156.14
			4.0	182.12	125.15	144,06	162.62	7.1	2.41	186.71	190.82	124.12	142.88	151.22	187.97		
			9.5	261.09	193,15	222.84	253.60	8.8	292	287.79	278.70	191.32	219.90	251.67	292.69	229.25	237.44
				177.04	121.56	140.04	141.45	3.0	2.07	181.84	176.10	120.89	138.94	140.58	184.71	157.80	157.80
			- 0.9	198.85	138.65	157.29	171.73	3.9	1.93	204.14	197,69	135.71	155.98	170.76	207.64	167.83	167.83
	World Ex. UK (2180)	204,99	2.7	232.03	159,44	183.53	225,56	5.3	2.53	237.91	230.40	158.16	181.79	224.11	242.17	187.55	189.02
	World Ex. UK (2180)	239.19	4.4				176.52	3.8	2.13	200 40	400.00			.77.51	209.73	170.18	170.18
	Mould Ex Tabell (1994)	ANT 07	25	201,16	138.23	159.12	1/0.32	3.0	-13	206.49	199.97	137.27	157.78	175.51	209,70	170.10	110/10
	The World Index (2385)	201.37				Mary 199	s. All rights	received.	FT/SAP Ac	nates" h	icini trarie:	mark of The	Financial '	Times Limb	ed and Star	derd & Po	CP'1. Base
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aark yield curve (%)\* Month ago ==

FT-SE-A All-Share Index

stretched, relative to both

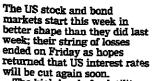
conventional and index-linked

the results season, which has

been solid so far, continues to

Investors will be hoping that

1,855



The high level of volatility that continued throughout the week, though, suggests that the markets will remain choppy until a clearer picture emerges of how strongly the US economy is rebounding

from its late-1995 slowdown. The bond market is likely to remain in the driving seat, with equities unable to resume their upward march until fixed-income investors recover from their bout of jitters.

The highlight of the calendar will be February's employment report, which will bring the first official data on economic conditions last month.

After a weather-induced drop of some 200,000 in January. non-farm payrolls are expected to have risen by some 300,000 last month. That is double the average monthly growth in the final months of last year, but coming after January's fall would point to only a moderate pick-up in activity.

If the Treasury yield curve continues the steepening that was notable on Friday, the equity market should find a

firmer footing. The spread between two and 30-year bond yields grew to around 108 basis points by the

end of the week, thanks largely to the rally in short-term rates. from 89 basis points the week

Benchmark yield curve (%)\*

5.60

While stocks generally may recover their balance, the technology sector faces a difficult period after its rout on Friday, prompted by a warning of slower growth from computer maker Compac

It is an encouraging sign for the stock market as a whole, though, that this sector's troubles failed on Friday to dent the recovery of confidence in the broader market.

**LONDON** By Philip Coggan

The focus of the week will undoubtedly be Thursday's meeting between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, the governor of the markets hope they will agree to a further cut in base rates. probably a quarter of a percentage point reduction to 6 per cent.

A weak purchasing managers' survey on Friday bolstered the case for a cut. However, there are some fears that this might be the last reduction in the rate for a while: short sterling futures the market's vehicle for speculating on interest rate movements, are pointing to hase rates back at 6.25 per cent by the end of the year.

Both gilts and equities will continue to be affected by the volatile mood of Wall Street, where the yield on the 30-year Treasury bond briefly touched 6.5 per cent last week and the Dow Jones Industrial Average has frequently been triggering the trading restrictions which

apply after 50-point moves. contain no nasty surprises. Gilts were particularly weak The leading companies due to announce results this week in February, with the yield on include Smith & Nephew, BAT, the 10-year issue rising from less than 7.5 per cent to 8 per Cadbury Schweppes, Glaxo Wellcome, T&N, Ladbroke, cent over the month. It will probably need a fall in yields Rolls-Royce RTZ Sun Alliance for the FT-SE 100 index to and Zeneca. Recent economic mount a renewed assault on its weakness means companies all-time high of 3,781.3. Equity have the potential to valuations are starting to look

FRANKFURT By Andrew Fisher

Further evidence of Germany's stagnant economy will emerge this week with a batch of statistics that will be eagerly studied by the bond and equity

On Tuesday, fourth-quarter gross domestic product figures are expected to show a dip over last year's third quarter. UBS reckons it could be 0.6 per cent

Unemployment data for February, likely on Wednesday, should show a further rise, with Westdeutsche Landesbank looking for 4.2m (10.9 per cent) unadjusted and 3.92m (10.2 per cent) seasonally adjusted. Industrial output and new order figures could add to the

"Forecasts are only now beginning to acknowledge the true weakness of the German economy," WestLB said. Economists at Salomon Brothers expect combined west and east German economic growth to be only around 1 per

cent this year. Against this subdued background, speculation of further short-term interest rate cuts by the Bundesbank continues. None came at last veek's council meeting, but the timing of the next discount and Lombard rate moves is widely discussed inside and outside the bank.

M3's high initial growth rate this year has to be overcome -

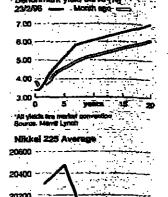


While fears of rising interest rates seem to have subsided after last week's Bank of Japan's tankan, the quarterly survey of business sentiment confirmed that the economic recovery is a gradual one, asonal activity is likely to affect the Tokyo financial markets in the near term.

Bond and stock markets are expected to fluctuate on last-minute profit-taking ahead of the fiscal year-end. Banks are writing off their losses from the jusen, the ailing housing loan companies, and low investment returns and stagnant growth in insurance premiums are likely to force life insurance groups to realise profits on stocks and bonds.

Continuing effects of the tankan survey are expected to help bonds. "The markets were getting a bit too excited about the prospects of a BoJ rate hike, and the bond market rallied strongly following the tankan's release," said SBC Warburg in Tokyo.

The survey showed companies were still burdened with excess employment, inventories and capacity, with all indices improving only marginally. With inflation still almost non-existent, concerns over higher interest rates. prompted by comments from Mr Wataru Kubo, the finance minister, that pensioners were suffering from low rates, seem to have been alleviated.



Meanwhile, the stock market faces settlement for March futures and options this week. Participants have become increasingly wary of long positions on arbitrace trading reaching a record 3.2bn shares liquidation scheme. Although the coalition government is poised to approve the plan. which involves using Y685ho

Another concern is the jusen in public funds, it is also trying to ease public anger by calling for an increased proportion of the losses to be absorbed by the banking sector.

**COMMODITIES** By Kenneth Gooding

# Silver demand outstrips supply

keep pace with consumption the seventh successive year there has been a supply deficit. Huge stocks of silver were built up in the 1980s but, according to the New Yorkbased CPM consultancy organisation, during the past six years 640.5m troy ounces of the metal has been drawn from stocks to cover the deficit.

CPM reckons there is less than 700m ounces left in global stocks. The organisation's annual

Silver Survey, sponsored by 14 every sector of the business, was launched last week in New York and there will be presentations in other venues, beginning tomorrow in Mexico City. CPM projects demand for sil-

Greencore (UK)

graphic film, jewellery and silverware, will rise by 3.8 per cent to 714m ounces in 1996 while supply is forecast to increase by 1.7 per cent to 535.9m. This would leave a deficit of 178m ounces, up from last year's shortfall of 186.7m.

Mr Jeffrey Christian, CPM's managing director, suggests that silver's price will this year average \$5.86 an ounce, compared with \$5.20 in 1995. He says the price will go above \$6 at some point in 1996 but it would take "some major scares" in the US presidential

election to force it above \$7. However, much of the remaining silver stock last year came under the control of new investors, including insti-tutional investors, with

long-term objectives. "These investors appeared unwilling to supply silver to the market at current prices. Instead, they appeared to have price targets of \$8 [an ounce] and higher,' says Mr Christian.

 Oil ministers from several members of the Organisation of Petroleum Exporting Countries meet in Vienna today to review the group's production and to prepare for the possible return of Iraqi oil to world markets.

Oil analysts say Opec is producing about 25.6m barrels a day, well above the 24.52m b/d production ceiling of the group. A sale of \$2bn of Iraqi oil to raise funds for relief sun plies would require the market to absorb an additional 700,000 b/d or more.

#### OTHER MARKETS Compiled by Michael Morgan

#### AMSTERDAM

The market will be hoping for further impetus from the corporate reporting season after last week's string of com-pany results led the AEX index to a succession of all-time highs, writes Ronald van de

At cyclical companies such as Hoogovens, due to report on Thursday, the emphasis will not be so much on 1995 results, widely expected to be strong. as on the outlook for 1996 and beyond. Last week, shares in Akzo Nobel faltered briefly after the chemicals company said it had only modest expectations for the year.

One reason for the generally positive reception given to company results so far is the fact that the dollar's influence is waning with the passing of

In a year-on-year comparison, the US currency's fall is not as dramatic as it once was. The dollar is a key factor in Amsterdam because many bourse-listed companies are dependent on exports to overcome the relatively small size of the domestic market.

#### **PARIS**

The demerger plan from Chargeurs last week caught many by surprise, so much so that the shares of the media and textiles conglomerate soared by 12 per cent on the day of the announcement. writes John Pitt.

In a sense, the Chargeurs proposal, to split into two separate and listed organisations, was a long time in the making and may finally have been triggered by similar practices recently in the UK.

The market, which broke through the 2,000 level again

Benchmark yield curve (%)\* 23/2/96 — Month ago —

10 years 20

statistical distortions and bond

market reverses affected the

easing can be considered

or in April.

January data – before further

towards the end of this month

Lower interest rates would

stock market, which touched a

new record on Friday when the

past 2,500 points. Its rise so far this year has been 11 per cent, more than in the whole of 1994.

The dollar's rise helped, as

did continued expectations of

if other large holding compa-nies, which have held a fasci-

nation for the French for

decades, might now follow suit.

higher corporate profits.

DAX blue chip index scraped

certainly help underpin the

4.00 🔂

DAX Index

2,520

on Friday, was also fascinated by the takeover bid by Paribas for Navigation Mixte, the holding company, having failed in a previous attempt in 1989. If successful, the financial group could well dispose of some of Navigation's elements.

#### STOCKHOLM

Even after last week's sterling performance, which saw the Affärsvärlden post all-time highs on Tuesday, Wednesday and Friday, many analysts believe the market has further to go. Stockholm is, for example, UBS's favourite market, offering, it says, the best value, best fundamentals and the right sector mix.

for the index is 2,050, compared with 1,886.6 on Friday. UBS says earnings expectations are standing up better than those for core Europe and the market still appears to offer good value at around 10 times 1996 earnings. It notes that Swedish bonds have corrected and vields should remain at current levels, while dividends grow by 13 per cent. Moreover, the krona is likely to weaken. always an important influence on Swedish equities.

The bank's year-end target

Morgan Stanley is also opti-mistic, on the basis that cyclicals will outperform this year in response to an improvement in the dollar, an economic recovery in Europe and reflationary moves by central banks.

Last week, Mr Richard Davidson, Morgan's European equity strategist in London, doubled the Swedish weighting

in his European model portfolio from 3 to 6 per cent at the same time as he upgraded an already overweight German position from 16 to 19 per cent.

#### **HONG KONG**

Corporate results will grab the limelight in Hong Kong this week, with Hongkong Electric and Cathay Pacific finals among the more prominent reporters, writes Louise Lucas.

Speculation about forthcoming share placements persists after the rash of cash-raising exercises in the first two months of the year, and this is suppressing the share price of targeted stocks.

Investors are also keeping a wary eye on the US, where rising bond yields and the outlook for interest rates stand to affect the fortunes of the local

**CROSS BORDER M&A DEALS** BIDDER/INVESTOR COMMENT West Publishing (US) £2\_3bn Thomson Corporation Publishing Thomson's piggest buy yet lubrication restructurino Strengthening braking business Unit of AltiedSignal (US) £970m £358m Océ-van der Grinten UK Unit of Siemens (Germany) Print purchas £292m Expansion plans losat International (UK) Kofba (Argentina) Soft drinks 279m Stake to 75% Mebane Packaging (US) Packaging £60m US expansion ITT Sheraton (US) Park Lane Hotel (UK) Hotels £44.6m Agreed offer Building materials nan Tonka (UK) £29.5m

Agribusiness

Williams Group (Ireland)

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#### **CURRENCIES** By Graham Bowley

## Attention turns to US rates as Tokyo props up dollar

The US dollar recovered on Friday after a week in which the Bank of Japan had regularly intervened to prop it up. The Japanese tankan survey finally put paid to expectations of an imminent rise in Japa-nese interest rates, which had been depressing the US currency, while data showing a large rise in Japanese foreign exchange reserves underlined the Bank of Japan's determination to lift the dollar higher.

Dealers this week will be looking for further signs of Japanese intervention, but attention will also turn to the future direction of US interest rates with the publication on Friday of key US employment

Expectations of a further cut in US interest rates at the Federal Reserve's next meeting later this month could intensify if the data point to further weakness in the US economy.

Political developments in the race for the Republican presidential nomination are also likely to affect the dollar.

Analysts said the currency could suffer if Mr Pat Buchanan, the right-wing candidate, was to make further progress in the race. Investors have been troubled by the protectionist stance Mr Buchanan has taken, dealers said. Politics could also influence

the direction of the Australian

dollar and Spanish peseta, with elections in both these countries over the weekend. Financial markets

expecting a change of government in both Spain and Australia. This is likely to be positive for their currencies since it is likely to imply more con-

But analysts said the mar-kets would also be looking for confirmation that any new Australian government would be prepared to tackle the country's budgetary problems.

trial production and manufacturing orders this week are forecast to show weakness in the German economy, fuelling expectations of further German

Italian consumer price data annual inflation rate, under pinning the lira

FT GUIDE TO WORLD CURRENCIES



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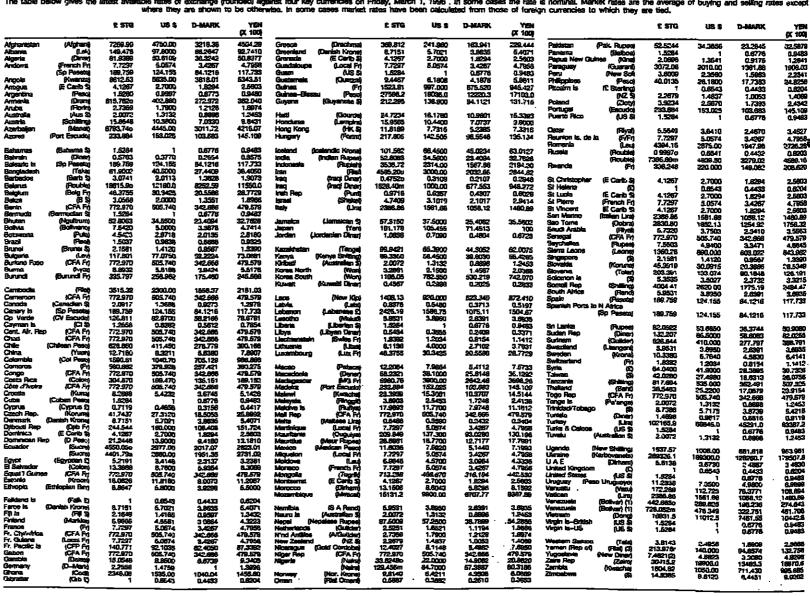
Dealer LATINVEST SECURITIES LIMITED

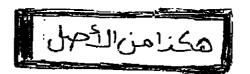
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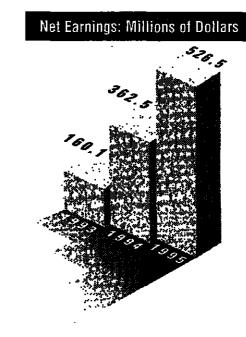
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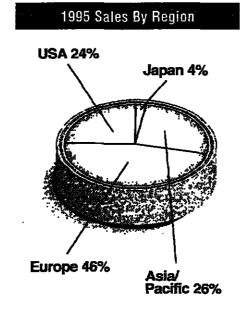
As we enter 1996, our financial course remains steady. We have a well-positioned portfolio, a diversified sales base — both by end markets and geographically — and significant financial flexibility based on a very strong balance sheet. However, our most important bottom line will always remain the satisfaction of our customers.

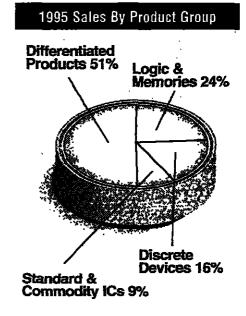
Our continued success has renewed and strengthened our dedication to all whom we have had the privilege to serve.

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# Fragile recovery in Caracas

When the Venezuelan equity market, which was legalised in market rallied to break twoyear records in local currency terms a couple of weeks ago, investors reminisced about the boom of the early 1990s, which for the first time put the country on the world capital markets map.

The market began to recover last September after a threeyear period in which investors had little reason to rejoice. Two coup attempts, a presidential impeachment, and a disastrous banking crisis caused equity prices to plummet. Gloomy economic prospects during most of 1995 kept prices depressed through the first three quarters. Inflation hit 56 per cent, growth was sluggish. and government price and foreign exchange controls

squeezed company profits.

Despite a reasonable recovery in recent months, the atmosphere at the Caracas stock exchange is not exactly euphoric. At best, a dozen investors gather in the foyer around late morning. As the exchange is fully electronic and brokers bid via an optical fibre network in the privacy of their offices, the floor is habitually deserted. Yet much of the glistening, hi-tech hardware, acquisitions made during boom

years, stands idle. Market capitalisation of \$4.3bn, or 7.2 per cent of GDP. is still a far cry from 1991 capitalisation levels of \$13bn, or 24.4 per cent. The recovery of recent months, it appears, is rather fragile. "The equity market has been growing, not because it appears interesting to investors but because all other options appear worse.'

said one broker. Returns in the equity market in real terms were a negative 7 per cent last year. Yet that is still above most other financial instruments. Fixed interest paper, currently reading double-digit negative returns in real terms, are hardly an option. Central bank monetary stabilisation bonds have recovered from 29 to 34 per cent in recent days, with a 60 to 80 per cent inflation rate expected for this year. With properties overpriced and investors weary of long-term fixed investments real estate is not an option

Finally, the local Brady bond At indices in S terms, January 7th 1992-100. Source: ING Baring

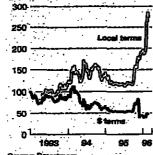
after the government in late January introduced harsh control mechanisms, including a six-day resale ban on Brady bonds. Volume plummeted from \$80m daily to an average

\$3m to \$5m a day. Buying Brady bonds for bolivars on the Caracas exchange and selling them at a discount for dollars in New York had for many businesses been the only possibility to overcome a shortage of foreign currency. Since June 1994, the government has been making only a limited amount of dollars available and has fixed the exchange

Given the restrictive conditions, it is perhaps not surprising that among the companies traded most are large exporters with access to stronger markets and hard currency as well as blue-chip companies with a long history on the equity market, such as Electricidad de

Of the 91 companies listed on the stock exchange, the 10 largest account for 86 per cent of total volume. Some of the top companies last year even produced returns in dollar terms of between 17 and 25 per cent.

For Mr Alfredo Salcedo, president of the Caracas stock exchange, this is only one of the indications that the market has potential. "If these companies can perform as well as they have under the given eco-



namic conditions, then they could really take off under nor-As further proof that the market has potential to grow, given the right macro-economic conditions, Mr Salcedo points to a number of international brokerages, including Banker's Trust and ABN Amro, that are setting up shop

in Caracas. With the price of a trading licence having come down from \$1.3m to \$130,000 in the last year, the number of brokerages may increase further from the current 64. The fate of 14 brokerages, which collapsed during the 1994 banking crisis and are still in state hands, has not vet been decided.

Two government undertakings have the potential to strengthen Venezuela's securities market in the long-term.

One is the petroleum investment funds, which amount to an opening of the previously closed petroleum industry to private investors. The petro-leum industry is considered the backbone of the economy and one of the few sectors with excellent growth prospects.

The legal framework, which is to be approved by congress shortly, will allow the creation of investment funds using a variety of financial instruments to finance projects in the petroleum industry.

"Once the project takes off," says one official at state oil company PDVSA, "we hope to raise as much as \$5bn over the next 10 years". 'We want these shares to

reach Venezuelans like the national lottery does," says Mr Juan Musso, one of the architects of the project at PDVSA. The plans have been received with great interest by the financial community. "The petroleum investment

funds open up enormous possibilities and could seriously jump-start this market," says Mr Salcedo: The second government project that could boost the

market is the ambitious privatisation programme. which intends to raise \$3.5bn in revenues over the next 18 months.

Sales of shares in electricity, steel, and telecommunications enterprises are at the top of the list.

ndex	1/3/96	Week on weel Actual	movement Percent	Month on month Actual	novement Percent	Year to date Actual	movemen Percen
World (395)	153.97	-3.65	-2.32	-5.32	-3.34	+6.41	+4.35
atin America							
Argentina (22)	88.46	-6.15	-6.50	-14.80	-14.33	-4,32	-4,6
3razil (23)	209.15	-11.03	-5.01	-7.91	-3,64	+23.06	+12.3
711le (16)	182.30	-1.01	-0.55	-2.37	-1.28	-13.36	-6.8
ciombia (14)	169.66	+3.57	+2.15	+8.86	+5.51	+5.41	+3.29
Aexico (23)	74,83	-4.17	-5.28	-7.30	-8.89	+1.24	+1.68
eru(14)	1.079.17	-49.43	-4.38	-29.89	-2.70	+10.22	+0.9
atin America (112)	127.22	-6.00	-4.50	-8.16	-6.03	+4.08	+3.3
urope							
reece (18)	112.28	+4.65	+4.32	+6.50	+6.14	+14.31	+14.60
ortugal (20)	125.30	-2.83	-2.19	+1,40	+1.12	+9,84	+8,4
urkey (26)	114.26	+9.84	+9.42	+11.12	+10.78	+31.46	+38.0
outh Africa (32)	156.11	-2.39	-1.83	-14.47	-8.48	+2.73	+1,7
игоре (96)	128.28	-0.95	-0.73	-7.12	-5.26	+6.74	+5.5
lala.							
hina (24)	48.02	-1.42	-2.87	+1.93	+4.19	+7.69	+19.08
ndonesia (32)	152.02	-3.67	-2.35	-3.55	-2.28	+13.37	+9.6
orea (23)	131.19	-3.19	-2.38	-3.78	-2.79	-5.71	-4.1
Aziaysia (24)	244,10	+0.42	+0.17	+8.04	+3.41	+16.74	+7.3
akistan (14)	88.60	-10.57	-10.66	+8.62	+10.78	+15.01	+20.4
hillippines (14)	259.66	-0.48	-0.16	+5.00	+1.70	+39.50	+15.24
helland (25)	258.80	-4.80	-1.82	-14.85	-5.43	+6.92	+2.75
alwan (31)	125.12	+0.07	+0.06	+3.73	+3.07	-5.70	-4.30
sia (187)	212.65	-2.32	-1.08	+0.40	+0.19	+9.61	+4.7

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INTERNATIONAL BONDS By Richard Lapper

## **Future-flow deals** find a niche in Latin America

for Telmex, the Mexican telecommunications company, has highlighted a growing trend among Latin American borrowers. Telmex is the latest in a string of corporates from the region to successfully reduce their borrowing costs by securitising future flows of income. Last year, the number of these deals proliferated, with borrowers raising some \$2.8bn. a four-fold increase on the 1994

Telmex, which launched the market's first such deal in 1987, is securitising telephone receivables; payments owed to it from long-distance telephone calls between Mexico and the US.

Companies have also pledged future flows such as export earnings (usually from oil or commodities), credit card receivables, remittances from migrant workers and even airline tickets. Overall, a total of some \$8.6bn has been raised through international future flows deals.

Unlike the more common asset-backed transactions, which involve repackaging portfolios of mortgages, car loans, credit card balances or other assets, future flow deals involve the payment over a fixed period of income flows into an offshore trust.

The future receivables are generally sold to the trust. which issues the bonds or notes and repays principal and interest, with any surplus

being returned to the issuer. The structure allows investors to circumvent some of the sovereign risks (convertibility or transfer) typically attached to emerging markets invest-

The completion late last month of a \$280m securitisation deal are less risky, credit rating are less risky, credit rating agencies usually award investment grade ratings, making it possible for a wider range of

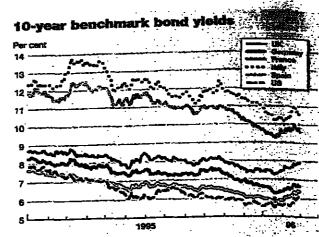
investors to buy the paper. The Telmex issue received an A rating from Duff & Phelps Credit Rating Co (DCR), the US agency which rates many of the deals, and a Baal rating from Moody's - higher levels than the Mexican government's own local currency obligations.

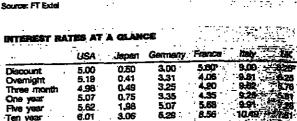
Although these issues have typically been placed privately among US institutions, especially insurance companies, other investors, including European funds and banks, are now beginning to show more

Bankers Trust, which handled the Telmex deal, says investors from three conti nents bought the paper. "This is probably the first time that a transaction of this type has achieved such a broad global distribution," said Mr Fernando Guerrero, managing director and head of global structured finance.

DCR says the rise in issuance has been driven primarily "in response to the capital needs of operationally strong companies located in emerging markets". These typically rely on bank or eurobond debt, whose pricing and availability has been constrained by sover eign considerations.

Telmex was able to reduce substantially its borrowing costs on a 13-month facility, with the rate of 62.5 basis points over Libor comparing with 325 basis points over Libor on an original loan facil ity agreed last year. Grupo Mexico.





launched last year's biggest issue - a \$525m export receivsecuritisation - reduced both its costs (rates on separate tranches ranged from 1.875 per cent over Libor to 2.65 per cent over US Treasuries) and obtained financing over a relatively long period; 12 years compared with the three years more typical for Mexican bor-

"Investors have decided that risk mitigants in these structures merit buying at a tighter spread," said Mr Guerrero.

Some borrowers active in the market might have been unable to raise money through any other route. For example, Peru's Banco

de Credito, which raised \$48m last year in a credit card receivables transaction, would have found it difficult to raise funds through a more traditional bond issue.

Borrowers from Panama and the Dominican Republic, which might otherwise find access to

the market either difficult or prohibitively expensive, are also believed to have deals in the pipeline.

One of the reasons for the popularity of these deals is that investors have become more discriminating about emerging market investments in the wake of the peso crisis in Mexico at the end of 1994.

"The Mexico crisis led to a re-evaluation of unsecured debt in the emerging markets," said Mr Guerrero. The popular-ity of the deals seems likely to grow and the range of borrowers is also expected to widen. DCR expects an increase in deals from other emerging

markets, especially from nearinvestment grade countries in central Europe, the Middle East and south-east Asia. Turkish banks were active on the markets last year.

"Its a global phenomenon which has taken grasp in Latin America first", adds Mr Guer-

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I	Comperchank Overseas Fin Youn Group Finance		Mar 2007 Apr 2006	6.75 7.00	98.76R 99.19R	6.915 7.716	+198) +45(7¼%-08)	Commerzio Crest Commer		+15bp. Capped at 8%. 2) 1-	erth Libe	# +10bp. P	marq no Zysbie 1	n-Capil Cap 300 each i	r price:Si nonth, B	PHT.138. FX:1 Cled by Auto I	1975225. y) 3-min Libor receivables. A Backed by
ĺ	LUXENSOURG FRANCS									Callabia of par other 10yrs, 1	म्बास सम्बद्ध	en 2001. At y Syrs. It n	us ou da nd, neadt	P 803190	b ever b	on Liber +6b; rving 5yr puli	o, Casadés Bross Agrott, Of L. E. 3-18th Libor +8-25bp
ļ	ASUK-CGER IFICO(I) Genfinance (Luc)(I)	200 200	May 2000) Not 2005	5.50 5.00	101.80 102.40	5.00 6.39	:	8mg 1107./AS 861.	SLX-CGER	steps up to Phys. 9 Fample	no or 7	27402. (2) L350(ba. Pi	3-5001 l us 22 dy	Dor +6.2 Account	500. H) . K) Re-0	3-milh Liber i coming classes	tiat, a Linux 3rd yr. 7069 s. K1) 6-m6b Libor -2000.
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#### Standard & Chartered

Standard Chartered PLC

£150 million Subordinated Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the three month period from 29th February 1996 to 31st May 1996, the Notes will bear interest at the rate of 6.2875 per cent per annum.

Interest per £5,000 Note will amount to £79.02 and will be paid for value 31st May 1996 against surrender of Coupon No 40.

West Merchant Bank Limited Agent Bank

USD 10,000,000,000
EURO MEDIUM TERM NOTE OF SOCIETE GENERALE,
SGA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED SERIES Nº 68/94/6, TR1 SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 800,000,000 FLOATING RATE NOTES DUE JUNE 2004 ISIN CODE: XS0049009011

Notice is hereby given to the Noteholders that for the period March 1st, 1996 to June 3rd, 1996 the Interest Rate has been fixed at Next payment date : June 3rd, 1996

Coupon nr: 7 Amount ; FRF 1,870.62 for the denomination of FRF 100,000

The Principal Paying Agent SOCIETE GENERALE BANK & TRUST - LUXENBOURG

WOOLWICH - Building Society -

000,080,882 Subordinated floating rate notes due 2001

Votice is hereby given that the notes will bear interest at 1.26406% per anium from 29 February 1996 to 30 August 1996. Interest payable on 30 August 1996. Interest payable on 30 August 1996 will amount to \$55.629.02 per \$100.000 £3,632.03 per £100,000 note. Agent: Morgan Guaranty Trust Company

**JPMorgan** 

3i International B.V.

\$150,000,000 Guaranteed floating rate notes 1999 The notes will bear interest at

6.375% per annum for the interest period 29 February 1996 to 31 May 1996, interest payable on 31 May 1996 will amount to \$160.25 per \$10,000 note and \$1,602.46 per \$100,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan** 

BRADFORD &BINGLEY 200,000,000

Floating rate notes 1996 Notice is hereby given that to the notes will bear interest at 6.3375% per annum from 29 February 1996 to 30 May 1996. Interest payable on 30 May 1996 will amount to \$157.57 per \$10.000 note

Agent: Morgan Guaranty Trust Company **JPMorgan** 

Halifax Building Society \$100,000,000 Collared floating rate notes 2003

Notice is hereby given that the notes will bear litterest 7% per annum from 29 February 1996 to 29 Augus 1996. Interest payable on 29 August 1996 will amount to 5349.04 per £10,000 notes and 53,490.41 per \$100,000 note

Agent Morgan Guaranty
Trust Company JPMorgan :

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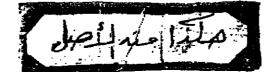
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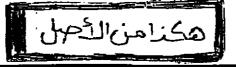
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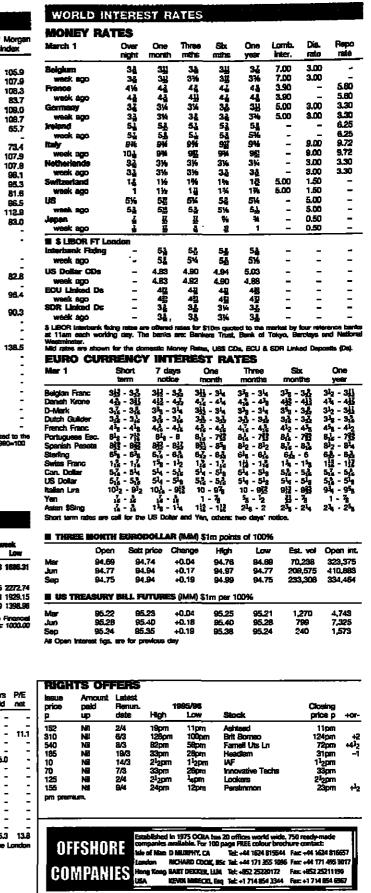


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PINANCIAL TIMES	MONDAY MARCH 4 1996	*		
POUND SPOT SOCIALOR			CURRENCIES	AND MONEY
POUND SPOT FORWARD A Mar 1 Closing Change mid-point on day	Bid/offer Day's Mid One month	Three months One year Bank of	DOLLAR SPOT FORWARD / Mar1 Closing Change	Bid/offer Day's mid One month T
Austria (Sch) 15.8646 +0.0406 Belgium (BFr) 48.3755 +0.1163 Fintand (CKr) 8.7157 +0.0207 Fintand (FM) 8.8636 +0.0084 France (FM) 8.8636 +0.0084 France (FM) 2.2568 +0.0058 teleand (£) 0.9716 -0.0003 teleand (F) 0.98140 +0.013 Spain (F) 1.8852 +0.0044 Switzerland (SFr) 1.8852 +0.0044 Switzerland (SFr) 1.8852 +0.0044 Switzerland (SFr) 1.8852 +0.0044 Switzerland (SFr) 1.9036 -0.0003 Smrt 1.5037 -0.0003 Smrt 1.5037 -0.0003 Smrt 1.5037 -0.0003 Smrt 1.5037 -0.0003 Smrt 1.5036 -0.0019 Smrt 1.	3 570 - 728	3 15.7523 2.8 - 108.0 7 45.8542 2.6 45.0942 2.5 108.2 8 8.6935 1.5 8.5562 1.6 109.0 8 6.9456 0.7 - 84.3 9 7.8619 1.6 7.8024 1.4 108.4 2 2.235 2.7 2.1821 2.6 110.2	Dermark   (DKr)   5.7021   +0.0228   Friend   (FM)   4.5581   +0.013   France   (FF)   5.0574   +0.0191   Germany   (DM)   1.4759   +0.0062   +0.0062   +0.0062   +0.0062   +0.0062   +0.0062   +0.0062   +0.0062   +0.0062   +0.0062   +0.0062   +0.0062   +0.0062   +0.0062   +0.0062   +0.0063   +0	250 - 800 30.4370 30.2450 30.2976 1.8 2011 - 031 5.7185 5.6335 5.8987 0.7 550 - 811 4.5751 4.5379 4.5536 1.2 568 579 5.0750 5.0416 5.0534 1.0 756 - 762 1.4825 1.4715 1.4738 1.7 820 - 100 242.880 240.910 243.835 - 7.8 1.7 820 - 100 242.880 240.910 243.835 - 7.8 1.7 820 - 100 243.835 1.5735 - 0.2 1.5775 1.5690 1.57735 - 0.2 100 - 235 1564.35 1552.30 1568.03 - 4.9 250 - 800 30.4370 30.2405 30.2905 2.1 166 - 526 1.8589 1.8470 1.849 2.2 182 - 240 8.4552 6.4025 8.4188 0.4 100 154.200 152.740 153.4 - 2.9 110 - 200 124.550 123.830 124.55 - 3.8 595 - 694 8.7887 6.7228 8.7811 - 9.0 129 - 036 1.2022 1.1989 1.1998 3.6 229 228 1.5250 1.2481 1.2541 - 0.3 1252 - 1.8 1.2541 - 0.3 1252 - 1.8 1.2541 - 0.3 1252 - 1.8 1.2541 - 0.3 1252 - 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3 1.3
Singapore (SS) 2.1551 -0.0038 South Africa (P) 5.9631 +0.0285 South Korea (Worn) 1196,05 -1.96 Tahwan (TS) 42.0280 -0.0887 Thailand (BI) 38.5463 -0.0477 † Rates for Feb 29 Bibliotic spreads in the Pound are impiled by current interest rates. Starling individuals in both this and the Dotter Spot tables  CROSS RATES AND DERI  EXCHANGE CROSS RATES  Mar 1 BFF DKr	303 - 338	invested rates are not directly quoted to the market but 1990 = 100. Index rebessed 1/2/95, Bid, Offer and ATES. Some values are rounded by the F.T.  NKC Es Pta SKC SFr	Saudi Arabia (SF) 3.7503 -0.0002   Singapore (SS) 1.4120 -0.0002   South Africa (R) 3.8950 +0.025   South Korea (Worl) 782.550 -   Takwan (TS) 27.4980 -   Thatland (Bt) 25.2200 +0.01   † SDR rate per \$ for Feb 28. Bibliofier spreads in a	300 - 300 28.2300 28.1300
1.943 0.385	8.868 2.588 1.115 2738 2.887 10 2.919 1.258 3087 3.287 3.287 3.426 1 0.481 1058 1.119 7.952 2.321 1 24.55 2.588 0.324 0.095 0.041 100. 0.106 0.324 0.095 0.385 945.0 1 7.875 2.299 0.980 2431 2.573 3.306 0.965 0.416 1021 1.080 4.074 1.189 0.512 1258 1.331 7.475 2.182 0.940 2308 2.442 4.203 1.227 0.529 1297 1.373 7.729 2.256 0.972 2388 2.625 1.986 1.078 0.485 1141 1.207 5.508 1.476 0.836 1562 1.832 4.795 1.400 0.803 1480 1.566	21.16         504.2         408.1         22.30         3.966           11.26         268.3         217.7         11.86         2.110           12.70         302.5         245.4         13.38         2.379           4.360         103.6         8.09         4.583         0.815           10.10         240.5         195.2         10.64         1.892           0.411         9.799         7.961         0.433         0.077           3.887         92.59         75.13         4.095         0.728           10         238.2         193.3         10.54         1.874           4.198         100         81.14         4.423         0.787           5.173         123.2         100         5.451         0.969           9.481         228.1         183.5         10         1.779           9.874         233.8         189.7         10.34         1.839           4.691         111.8         90.68         4.943         0.878           6.423         183.0         124.1         6.767         1.204           6.088         145.0         117.7         6.414         1.141           8.051         1	2.157         4.512         3.295         347.8         2.629           1.147         2.400         1.753         185.0         1.399           1.294         2.707         1.977         208.6         1.577           0.443         0.927         0.877         71.45         0.540           1.029         2.152         1.572         165.8         1.254           0.042         0.088         0.064         8.756         0.051           0.386         0.829         0.605         63.84         0.483           1.019         2.132         1.557         184.3         1.242           0.428         0.895         0.654         88.95         0.521           0.527         1.103         0.805         84.98         0.643           0.967         2.023         1.478         155.9         1.179           0.544         1.138         0.831         87.66         0.663           1         2.092         1.528         161.2         1219           0.478         1         0.730         77.06         0.583           0.654         1.369         1         105.5         0.786           0.820         1.2	No.   No.
D-MARK Futruries (MM) DM 125,000	High Low Est.vol Open int.  0.8802 0.6761 26,320 71,219  0.6830 0.6793 3,759 6,918  0.8850 0.6833 145 1,685  25,000 per \$Fr  0.8346 0.8293 17,747 36,561  0.8421 0.8362 758 3,032  0.8467 0.8445 2 342  12.5 per Yen 100  High Low Est.vol Open int.  0.9533 0.9470 19,836 64,257	Pound in New York	FT GUIDE to WORLD CURRENCIES The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.  One Three Sb. One month months year	- F.P. 50.9 509 52 18alynstray - F.P. 5.76 6½ 5½ 18alynstray 7.5 F.P. 14.7 8½ 5¾ Cubhaus - F.P. 12.6 90 66 10matek - F.P. 13.9 15 11 Ex-Lands Pn - F.P. 0.18 13½ 6½ Ex-Land Whit 12 F.P. 56.8 16½ 15 1freepages - F.P. 0.18 16½ 15 1freepages - F.P. 1.13 105 100 Reveletion - F.P. 1.13 105 138 Shire Pharms - F.P. 123.0 223 198 Shire Pharms - F.P. 0.97 9 6 †SkyePharms - F.P. 113.5 108 183 Streamline † Alternative Investment Market. For a full explanation Shere Service notes.
Lut 0.9590 0.9613 -0.0021 Sep 0.9716 0.9718 -0.0019  E STEPLING FUTURES (MM) 052,500 per Mar 1.5300 1.5268 -0.0050 Jun 1.5230 1.5204 -0.0050 Sep 1.5208 1.5204 -0.0050	0.9720 0.9700 64 889 97 2 1.5310, 1.5270 7,466 40,859 1.5270 1.5218 257 10,562 1.3220 1.5180 3 9	Interbenk Sterling 7 <sup>1</sup> 4 - 5 <sup>1</sup> 4 6 <sup>1</sup> 2 - 6 <sup>1</sup> 8 Sterling CDs Treesury Bile Bank Bile Local authority deps. 6 <sup>2</sup> 24 6 <sup>2</sup> 24 6 <sup>2</sup> 34 6	6\(\frac{1}{4}\) 6\(\frac{1}\) 6\(\frac{1}{4}\) 6\(\frac{1}\) 6\(\frac{1}{4}\) 6\(\frac{1}{	FOTURES &OPTIONS TRADERS FOR AN EPPICIENT & COMPETITIVE SERVICE  BERKELEY  88 DOVER S TEL 0171 62
Strike Price Mer Apr N 1.500 2.64 2.95 3 1.510 1.84 2.29 2 1.520 1.12 1.56 2 1.530 0.59 1.15 1 1.540 0.28 0.76 1 1.550 0.08 0.47 0 Provious ctay's vol., Calla 10,001 Puta 3,648 . Praw.	May Mar Apr May 3,40 0.14 0.43 0.96 2,75 0.20 0.72 1.30 2,22 0.49 1.09 1.73 1,73 0.97 1.59 2,24 1,32 1.55 2,20 2,77 0.98 2,36 2,86 3,43	Carts of Tax dep. under \$100,000 is 29pc. Deposit Ave. tender state of discount \$5,920pc. ECO0 freed 1998. Agreed rate for period Mar 28, 1988 to Apr 2: period Feb 1, 1986 to Feb 28, 1986, Schemes IV 6 March 1, 1998  BANK OF ENGLAND TREAS  Mar 1 Feb 23  Bills on after \$2800m \$2000m \$2000m  Total of applications \$2820m \$2152m  Total allocated \$2900m \$2800m  Map, accepted bid \$39,825 \$28,500  Map, accepted bid \$39,825 \$28,500	rate Stig. Export Finance. Make up day Feb 29. 3, 1996, Schemes II & III 7,48pc. Reference rate for V 6,238pc. Finance House Sase Rate 6.5pc from	Union Clearing and Clearing and Tel: Limited Fax:  PHILIP ALEX SECURITIES AND FUTURES
BANK RETURN  BANKING DEPARTMENT  Liabilities Capital Public deposits Bankers deposits Reserve and other accounts  Assets Government securities Advance and other accounts Premise, equipment and other secs	Wednesday Increase or February 28, 1996 decrease for week  2 2 14,553,000 840,823,336 -232,105,847 1,827,839,787 -14,657,671 3,212,995,445 +171,035,175 5,596,017,589 -75,728,143 1,433,535,394 +10,807,501 1,468,507,841 -87,740,370 2,785,414,025 -3,755,827 10,370,957 +4,256,646	All Bank	% Royal Bk of Scotland 8.25 Initiad7.25 eSinger & Friedlander 8.25 og & Co 6.25 TSB	Verkins House, 125 Finsbury Pavement, London Historia; SFA & Lise Tel: (44) 171 417 9720 Fzz. (44) 17  KNNGHT-RIDDER'S FUTURE  O A last year of Finsk MANAGES and of Bay quade som O MET Journ Stretce O Methods; 18 you of duity manual interes into on 48 major resultes Note information: the Sinciler Vaids, 78 Front Street
Notes Coin  ISSUE DEPARTMENT  Liabilities Notes in circulation Notes in Banking Department  Assets Other Government securities Other Securities	10,370,957 +4,226,646   189,852 +33,807   5,896,017,589 -75,728,143   19,449,629,043 +45,073,354   10,370,957 +4,226,646   19,480,000,000 +50,000,000   11,731,696,130 -397,356,895   7,728,303,870 +447,356,695   18,460,000,000 +50,000,000	Bark of Ireland	an inv Bk. 6.25	24-HR FO
Notes   Price 2   ++    Em	Motes   Mote	0.3 8,000 Ja7 De7 31.10 4946 Immed-Linted 0.2 8,000 Ja7 De7 31.10 1148 20c 196 0.3 3,000 Mrs Se6 28.2 2300 230c 101 0.2 2,000 Ap5 De5 1,91324 25 25 25 25 25 25 25 25 25 25 25 25 25	Wik % Asset Interest Last City: Notes Price € +/- Em due xi line (87.9) 21643 — 1.200 Mr16 Se16 10.8 1313 (735.9) 1715 -4 800 Mr27 0r27 20.9 1753 (735.9) 1772 -5 1.700 Mr20 Nr20 18.10 1317 (735.9) 1734 -8 1.000 Ar21 0r21 14.9 1255 (735.9) 1345 -8 1.930 Jr19 Jr19 78.12 1314	Telegra Page 609. For brachuse and application from cell 4171 283 3667. *Subject to tex law
Each 109:pct 1997   107   1,988   Fet	26 Au6	5,273 Jy12 Jy12 8.12 1245 3.845. FIP! for ii 5,273 Jy12 Jy12 8.12 1245 3.845. FIP! for ii 5,360 Fe6 Au6 28,1 707 -1.1 1,000 Mint Salt 29,2 1330 -1 6,100 Mig27 Su27 21,8 2229 -1,0 800 Jy26 Ju27 21,8 2229 -1,0 8,500 Ju7 31,10 4682	78.9 1823 -9 2.050 My20 My20 My20 18.10 1318 (76.8) 1675 -1.0 2.350 Re33 Arc3 Arc2 14.21319 (76.8) 1675 -1.0 2.350 Re33 Arc3 Arc2 14.21319 (76.8) 1675 -1.0 2.350 Re34 Arc6 4.2 2.1320 (81.8) 1487 -1.1 3.050 Arc6 6018 11.91322 (81.0) 1405 -1.2 2.900 Arc6 6018 11.91322 (81.7) 11672 -1.3 2.700 Arc7 17.77 11.12 1323 (135.1) 1152 -1.2 1,300 Arc6 6018 11.91322 (135.1) 1152 -1.2 1,300 Arc6 4.22 18.12 1134 (135.1) 1162 -1.2 1.2 1.2 1.2 1.2 1.2 1.2 1.2 1.2 1.2	COMPANIES  Established in 1975 OCRA companies available. For 1 to 4 than D MIGHAN COOK Hong Kong BART DEKKER, USA SEAM MRESCO.  The FT GUIDE TO WORLD CURI newspaper and covering over 200 convenies, is musher from the keypad or bandset of Calls are charged at 39p/min cheap rate and outside the UK please telephone +44 171 873 4
Five to Fitteren Years  Five to Fitteren Years  Treats 10cr 2001 # 111.5	Enth 12pc 2013-17	0.5 276 S.JulpalyOn 1.12 1238 44gpc ( 2024	100   1143   -1   100   10424 Sa24   3793   -1	Petroleum Argus Dail All the spot crics information you and Products markets — Pe CALL NOW for a F  Attordable real time equities, futures Peylarket-

Switzenfund         (SFI)         25.21         4.739         4.203         1.227         0.528         1297         1.373           UK         (C)         46.37         8.715         7.729         2.256         0.972         2366         2.625           Canada         (CS)         22.17         4.166         3.695         1.078         0.485         1141         1.207           US         (S)         30.35         5.704         5.058         1.476         0.636         1562         1.682           Japon         (Y)         28.77         5.408         4.795         1.400         0.603         1480         1.566	NKr Es Pta SKr SFr £ C\$ \$ Y Eca 21.16 504.2 409.1 22.30 3.966 2.157 4.512 3.295 347.8 2.629 11.26 268.3 217.7 11.86 2.110 1.147 2.400 1.753 185.0 1.399 12.70 302.5 245.4 13.38 2.379 1.294 2.707 1.977 208.6 1.577 4.350 103.8 84.09 4.893 0.815 0.443 0.927 0.677 71.45 0.540 10.10 240.5 195.2 10.64 1.892 1.029 2.152 1.572 166.8 1.254 0.411 9.799 7.951 0.433 0.077 0.042 0.068 0.064 0.756 0.051 3.887 92.59 75.13 4.095 0.728 0.366 0.829 0.605 63.84 0.483 10 238.2 193.3 10.54 1.874 1.019 2.132 1.557 164.3 1.242 4.198 100. 81.14 4.423 0.787 0.428 0.885 0.654 88.95 0.521 5.173 123.2 100. 5451 0.969 0.527 1.103 0.605 84.98 0.643 9.491 228.1 183.5 10 1.779 0.967 2.023 1.478 155.9 1.179 5.337 127.1 103.2 5.623 1 0.544 1.138 0.831 87.96 0.683 9.814 233.8 189.7 10.34 1.839 1 2.092 1.528 161.2 1.219 9.814 233.8 189.7 10.34 1.839 1 2.092 1.528 161.2 1.219 9.814 233.8 189.7 10.34 1.839 1 2.092 1.528 161.2 1.219 9.814 233.8 189.7 10.34 1.839 1 2.092 1.528 161.2 1.219 9.814 233.8 189.7 10.34 1.839 1 0.695 0.478 1 0.730 77.06 0.583 6.423 153.0 124.1 0.775 0.478 1 0.730 77.06 0.583 6.423 153.0 124.1 0.777 0.478 0.654 1.369 1 105.5 0.788 6.081 145.0 117.7 6.414 1.141 0.620 1.298 0.948 100. 0.755 8.051 191.8 155.6 8.482 1.509 0.820 1.716 1.253 132.2 1 ado, Ura and Pespeta per 100.	No.
D-MARK Futures (MM) DM 125,000 per DM	R   Pound in New York	7.5 F.P. 14.7 B <sup>1</sup> <sub>2</sub> S <sup>1</sup> <sub>4</sub> Clubhaus Writs 3 <sup>1</sup> <sub>4</sub>
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FT Surveys

Notice to the Holders of Nankai Electric Railway Co., Ltd.

(the "Company")
us to subscribe for shares of common stock of the
Company (the "Shares") issued with
U.S. \$300,000,000 3% per cent. Guaranteed Bonds 1996 U.S. \$300,000,000

1% per cent. Bonds 1997 U.S. \$100,000,000 2% per cent. Bonds 2000

Notice is hereby given that the Company has resolved at the meeting of the Board of Directors held on 18th February, 1996 to split, on 20th May, 1996, the Shares owned by the shareholders appearing on the register of shareholders of the Company as at the close of such register on 31st March, 1996 (199an time) at the rate of one point zero five (1.05) Shares to one (I) Share held by them (the 'Stock Split'). As a result of such Stock Split, the Company adjusted the Subscription Prices of the captioned three Warrants as follows:

"Adjustments of Subscription Prices"

1. Warrants issued with U.S. \$300,000,000 3% per cent. Guaranteed Bonds 1996 Subscription Price before adjustment: Subscription Price after adjustment:

¥709.6 per Share ¥675.8 per Share

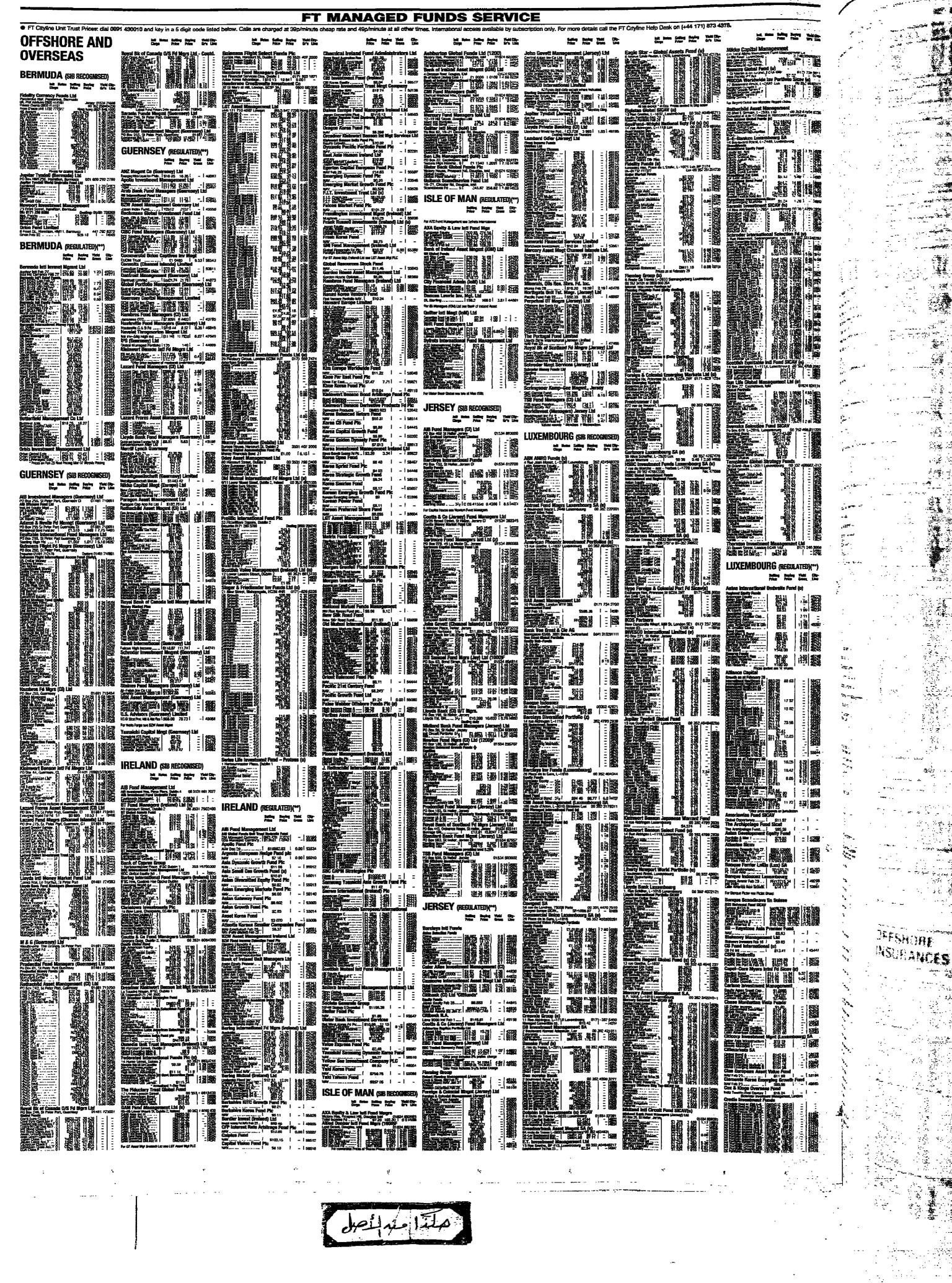
Subscription Price after adjustment:

2. Warrants issued with U.S. \$300,000,000
Es per cent. Bonds 1997
Subscription Price before adjustment:
Subscription Price after adjustment:
3. Warrants issued with U.S. \$100,000,000
2% per cent. Bonds 2000
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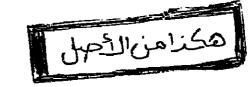
V764.5 per Share ¥728.1 per Share

₹746.0 per Share ¥710.5 per Share 4. Effective date of above adjustments: lst April, 1996 (Japan time)

Nankai Electric Railway Co., Ltd. 1-60, Namba 5-Chome, Chuo-Ku, Osaka, Japan By order: The Sanwa Bank, Limited
Dated: 4th March, 1996 as Principal Paying Agent



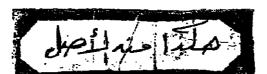




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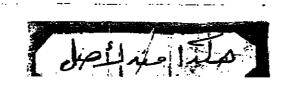
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NYSE COMPOSITE PRICES

24½ 18 WHS into
32 27½ WH, Holdin
137 6.3 16 166 31½ 31 31½ 42
23 13½ Whithers
1 10 1057 23½ 2½ 2½ 2½ 1½ 1½
62 2½ Whithers
1 14 2.1 13 2302 47½ 465½ 47½ 45½
65 27½ Whithers
1 2 421 3 27½ 31 32½
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1 2 421 3 27½ 37½ 35½ 1½
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1 2 40 13 1 68 3½ 32 3½
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1 2 40 13 1 68 3½ 32 3½
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22½ 11½ Whithers
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Venty highe and lows for IVSE reflect the partor from Jan 7 1965 (riders otherwise noted, rates of dividend are small distourcements the facest declaration. Salan figures are unofficial.

d-can yearly low. PM proc-earlings ratio. six-datas. n-pair year-divident or ex-digital, yel-yeld 2-salar in fat.

p Desduge respected. r.; rrue rummus resports Service You can obtain the current annual/stackin report of any company associated with §. Please spells the code PTS185. Ring 0181 770 0770 (spen 24 hours including weekendig or by 0187 770 3822, if calling from cultains the UK, diel +44 181 770 0770 or bis. +44 181 775 3822. Reports will be sent on the code working day, stalject for aveignibility.

	AMEX COMPOSITE PRICES 4 pm close March 1																												
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Am isr Pa Amerika Amerika Arepsi-Ama Asis isra Asis isra Asis isra Asis isra	0.05	37 366 54 8 14 92	15 50 37 188 1287	9 11 613 174 44 378	8 <sup>1</sup> 4 11 6 <sup>1</sup> 2 17 4 3 <sup>2</sup> 6	8 1 6 1 1 1 4 3 3 3 3 4	+14	Di inda Di inda Disserk Ducometen Deplex	1	7 172 22 29 11 6 36 37	1 <sub>2</sub> 1137 <sub>6</sub> 1121 <sub>2</sub>	d³8 13³4 12³8	.7€ 13₹ 12₹	-12 -14	icestronCp jat, Cooks intermage intex Jan Ball	-	10 3 46 29 4	903 258 439 293	13 <sup>1</sup> 2 10 <sup>1</sup> 8 19 <sup>1</sup> 2 29 <sup>1</sup> 8	93g 19 283g	93j 193g	44 4	PlaC RegenBred SAW Corp		is :	124 2 34 1 374		35	+ <sup>1</sup> 4 -3g
	0,80 0,04	66 11 13 :	100	277-2	27 275 2758	2,7	_1g _1g	Easte Co Echo Bey Ecol En A Edisto Pis Epitope	0.32	39 471	3 13 <sup>7</sup> 8 5 8 <sup>1</sup> 8	1378	818 634	+ <sup>1</sup> g + <sup>1</sup> g	Kayerk Cp Kirby Exp KagrEq : Labarge Laser Ind		6 50 27	105 143 454	18 <sup>3</sup> g 11 <sup>3</sup> g 4 10 <sup>1</sup> g	18 <sup>1</sup> 8 11 <sup>1</sup> 4 31 <sup>1</sup> 8	181 <sub>8</sub> 11 <sup>3</sup> 9 4 10 <sup>1</sup> 8	+⅓	Tab Prods TelSOats Thermedics Thermoics TodPMA TownCoby		5 270 1 795 12 391 14 591 2 304	265 273 83	46 <sup>1</sup> 8 25 <sup>5</sup> 8 27 <sup>1</sup> 8	46 <sup>1</sup> / <sub>4</sub> 26 <sup>5</sup> / <sub>8</sub> 27 <sup>1</sup> / <sub>2</sub> 8 <sup>3</sup> / <sub>4</sub>	+ <sup>1</sup> g + <sup>1</sup> g + <sup>5</sup> g + <sup>1</sup> g + <sup>3</sup> g
BATadr Beard . Bioks Man Blo-Raid A Bowner Bowner Brascan A	0.74 0.49 0.35 1.04	14 16 13 4	3	22 <sup>1</sup> 4 39 21 <sup>1</sup> 8 19	274 22 <sup>1</sup> 4 38 <sup>5</sup> 8 216 18 <sup>5</sup> 0	276 22 <sup>1</sup> 4 38 <sup>3</sup> 4 2 <sup>3</sup> 6	+4s +4s +4s	Fab Inds x Fins A FssChyGnc Forest La Frequency	2.40 0.20	14 33 210 21 241	5 48 <sup>1</sup> s 5 27 <sup>5</sup> s 3 51 <sup>3</sup> s	29 <sup>5</sup> 8 48 <sup>1</sup> 8 27 <sup>5</sup> 8 50 <sup>1</sup> 4 7 <sup>5</sup> 8	48 <sup>1</sup> 8 27 <sup>5</sup> 8 50 <sup>1</sup> 2		Lee Pharm Lumex Inc Lynch Cp Maccaro Media A x	0,48	37 19 7 21	2 198 126	131 <sub>8</sub> 621 <sub>4</sub> 441 <sub>4</sub> 371 <sub>4</sub>	62 44 <sup>1</sup> 4 37 <sup>1</sup> 2	62 <sup>1</sup> 4 44 <sup>3</sup> 8 37 <sup>1</sup> 2	+1 <sup>1</sup> 4 -5g	Tribus Tubos Mex. TurnsBrA TurnsBrB UkdFoodsA UkdFoodsA	0.07 E	0 1277	74 284 284	7-8 28-2 29	7 <sup>2</sup> 4 28 <sup>1</sup> 2 29	+1 <sub>2</sub>
Calprop Cambrox Can Marc Cnul FdA	0.20 0.14 0.01 0.30	33 15 30	60 85 31 485 5	101.	46 <sup>1</sup> 8 10 <sup>1</sup> 8 5 <sup>1</sup> 6 21 <sup>1</sup> 2	46 <sup>3</sup> 8	+1g -1 <sub>2</sub> -1 <sub>6</sub> +1 <sub>4</sub>	Geran Sinot FdA Siedlir GoldSeld	0.80 0.74 0.70	13 1; 19 39; 11 31; 7 19;	33 164		15 <sup>1</sup> 4 33 16 <sup>1</sup> 2 18	+³a ⊥a	Mem Co Hitrospedia MilwLd Moog A MSR Expl	0.20		<b>48</b> 3 7	4 <sup>1</sup> 2 13 <sup>7</sup> 8 7 <sup>1</sup> 9 17 <sup>5</sup> 8	13 <sup>5</sup> 8 7 <sup>1</sup> 8	13 <sup>5</sup> 8 7 <sup>1</sup> 8 17 <sup>1</sup> 2	_1 <sub>0</sub>	US Calics ViacomA ViacomB WireT x	1	0 220 1 1086 2 1273	36 <sup>1</sup> 2 39 <sup>1</sup> 2 40 <sup>1</sup> 4		38 <sup>1</sup> 2 39 <sup>1</sup> 4 39 <sup>5</sup> 8	+3g +3g
Cominco Çaspīch Compulsac Concel FBA	U.3U	38 14 5	358 6 5	12 14 4/8	14	134	<b>⊅</b> 8	HamDir Hasbro	0.46	14 26 19 200:	7 13g 5 34%	158 34 <sup>1</sup> 2	1 <u>12</u> 34%	+16 +16 18	NedPetDev NY TrnA z	0.56	<b>92</b> 19	103 <i>8</i> 30	8 <sup>3</sup> 4 27 <sup>5</sup> 8	8% 26%	8¾ 27¾	ᆉ	Xytrotic		2 %	1%	158	14	

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+₁5 +₁ê -₁⁴	Acrine Miles 6 107 17 1612 17 +12 Acrine Miles 6 107 17 1612 17 +12 Acrinea Cp 41 961 2619 2512 26 +12 Administration 2936273 5512 4812 4874 474 474 ADC Teles 38 5304 4014 39 3814 41	Digitati 19 2366 28 <sup>1</sup> 4, 28 <sup>1</sup> 4, 27 Dig Micro, 12 232 10 9 <sup>1</sup> 2 9 <sup>5</sup> 8 - <sup>1</sup> 4 Dig Sound 5 1291 1,7 133 133 - <sup>1</sup> 4	K Serissa 0,08 31 223 834 836 834 326 Kaman Co 0,44 11 317 1032 1034 1032 434 Kany Sv 0,80 16 3292 2934 2934 29 434 Kanyani 0,52 15 27 3052 2934 2034 43	Reinbow 17 733 22 21 2 21 2 21 2 7g  Railys 0 87 17g 11g 13g 13g 13g  Raymond 9 22 19 2 18 4 18 3g 14g  RCSB Fig 0.48 10 1248 23 3g 23 23 23 23 23				
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- <sub>-</sub> -	Aften Org 0.52 13 4 39 <sup>3</sup> 4, 39 <sup>3</sup> 4, 39 <sup>3</sup> 4, 39 <sup>3</sup> 4, 4 <sup>3</sup> 4  Aften Ph 13 2025 17 <sup>3</sup> 4 16 <sup>3</sup> 4, 17 <sup>5</sup> 8 + <sup>7</sup> 8  ARCicapi 1.32 16 83 18 <sup>3</sup> 4 17 <sup>3</sup> 4, 18 + <sup>1</sup> 4  ARCicapi 1.88 12 78 13 <sup>3</sup> 4 13 <sup>1</sup> 2 13 <sup>5</sup> 8 + <sup>1</sup> 4	Dynamich 33 1571 2512 243 <sub>6</sub> 243 <sub>4</sub> -1 <sub>4</sub>	Lampe Inc	Rotechilled 27 1589 37 <sup>1</sup> 4 36 <sup>1</sup> 2 37 <sup>1</sup> 4 +1 RPM Inc. 0.48 17 2018 15 <sup>1</sup> 8 14 <sup>3</sup> 4 15 <sup>1</sup> 8 + <sup>3</sup> 8 Ryen Findy 11 1210 8 <sup>7</sup> 8 6 <sup>1</sup> 2 6 <sup>7</sup> 8 + <sup>1</sup> 4				
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#### MONDAY

#### Mayhew meets Spring

The British and Irish governments launch the next phase of the Northern Ireland peace process with intensive consultations on the format and agenda for all-party negotiations, now set for June 10. The Northern Ireland secretary, Sir Patrick Mayhew, and the Irish deputy prime minister, Dick Spring, finalise details for the talks at a meeting in Belfast. The other constitutional parties are invited to put their ideas for elections and other matters before March 13. The two governments have said Sinn Feln can join the process once the IRA reinstates its ceasefire.

#### UK nuclear seil-off plan

British Energy, the company created for the sell-off of the UK nuclear power industry, unveils financial details as the first step towards its privatisation. The details will include the performance of its nuclear reactors, cost-cutting achieved and an indication of the company's prospects. The privatisation, which is scheduled for mid-summer and is one of the government's most controversial, will consist of seven advanced gas-cooled reactors and one pressurised water reactor. The older magnox reactors will remain in state ownership. The sale, which is expected to realise about \$2.5bn, will be resisted by the Labour party on the grounds that it jeopardises safety.

#### Noriega appeal hearing



The former Panamanian dictator, Manuel Noriega, gets a hearing in the federal court in Miami recardine his request for a

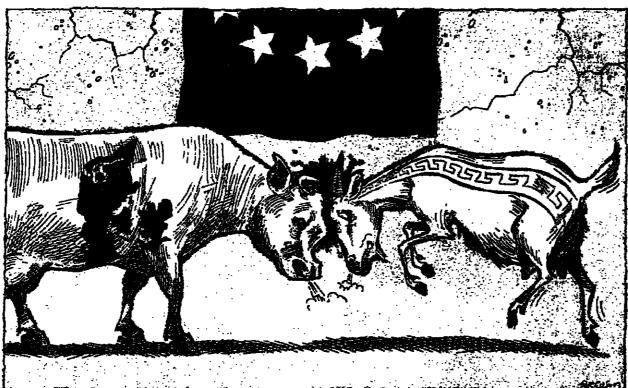
charges that he accepted protection money from Colombia's Medellin cocaine cartel to allow the transhipment of the drug to the US via Panama. Mr Noriega was convicted in April 1992 and sentenced to 40 years in prison. His lawyers claim that, in order to obtain testimony against Mr Noriega, the US government paid \$1.25m (£810,000) to the Cali cartel and arranged a sentence reduction for one of its affiliates.

#### S Africa murder trial starts

The trial begins in South Africa of Magnus Malan, a former defence minister, and 19 others charged with conspiracy to murder supporters of the ANC and its allies between 1985 and 1989. This will revive controversy surrounding Chief Mangosuthu Buthelezi, the home affairs minister and Inkatha Freedom Party leader, who is not on trial. He is alleged to have conspired with military intelligence in covert operations against anti-apartheid activists. Inkatha's deputy secretarygeneral, Zakhele Khumalo, a close confidant of Chief Buthelezi, is among the 20 people facing 13 counts of murder.

#### John Major in far east

John Major, the British prime minister, completes a three-day stay in Hong Kong.



On Wednesday, the EU Commission considers benning the generic use of names such as feta cheese - listed as a Greek cheese made from goats' milk

Plan (1996-2000). The congress, which

A government official said Mr Major would be confirming "Britain's commitment to a successful transition to Chinese sovereignty". On Tuesday, Mr Major visits South Korea, where he will focus on strengthening its economic links with the UK.

#### Cricket

World Cup: West Indies v Australia, Jaipur, India. Group matches continue to March 6; quarter-finals start March 9.

Public holidays Guam, Malawai, Nepal, Sri Lanka.

#### TUESDAY

#### Republican primaries

Voters in the Republican presidential primaries go to the polls in Colorado, Connecticut, Georgia, Maine, Maryland. Massachusetts, Rhode Island and Vermont on what is dubbed junior Tuesday. The contest in the delegate-rich New York state follows on Thursday. Bob Dole, the senate majority leader, fresh from a convincing victory in South Carolina, will be looking for more decisive wins. The viability will be tested of Steve Forbes, the millionaire publisher, after his surprise triumph in Arizona. Lamar Alexander, the former Tennessee governor, will need to do well in Georgia to continue and Pat Buchanan, the conservative commentator, will be selling his message of economic isolationism and social conservatism.

#### Chinese congress convenes China's 3,000 delegates to its National People's Congress convene in Beijing's Great Hall of the People. Top of the

agenda is the country's ninth Five Year

meets annually, will also approve a new budget and review legislation. The premier. Li Peng, is expected to emphasise the need for continued economic consolidation after the recent break-neck growth. Further reductions in inflation will be one of the main objectives.

#### Birmingham airport decision



Solihull council decides whether to approve plans for a £256m expansion of Britain's fifth biggest airport. Birmingham International Airport would almost double in

size over 10 years by expanding its passenger terminal and increasing aircraft stands. This would make the airport the UK's fourth largest - after Heathrow. Gatwick and Manchester - with about 9.4m passengers. However, councillors are concerned about the environmental impact on about 300 homes just 400 yards from the runway.

#### FT Surveys World Motor Industry; Credit

Public holidays Israel, Nepal, Tahiti, Vanuatu.

ECONOMIC DIARY

#### WEDNESDAY

Feta cheese fight

The EU Commission considers banning

the generic use of some product names -

Sudan offers elections Sudan's military regime, accused by western governments of human rights violations and suspected of links with extremist Islamic terrorist groups, makes a bid for respectability when it holds presidential and parliamentary elections (to Mar 17) for the first time since the former civilian prime minister, Sadeq al-Mahdi, was overthrown in June 1969. Not much is expected to change, however:

Jan construction spend

such as feta cheese and parma ham. The

commissioners will be asked to approve a list of 318 products, including Kentish Ale,

Rutland Beer, lavender oil from Provence,

West Country farmhouse cheddar and 20

regional varieties of olive oil. If the list is

approved, producers will be barred from using the names generically. Denmark, in

particular, is upset at the inclusion of feta

cheese, which is listed as a Greek cheese

made from goats' milk. This would

nome-produced variety which,

German jobless gloom

German unemployment figures for

prevent Denmark from marketing its

furthermore, is made from cows' milk.

February are expected to show another

a weak economy. The opposition Social

Democratic Party has forecast that the

reach a record of nearly 4.4m, up from

sharp increase, reflecting bad weather and

easonally unadjusted jobless figure could

4.16m in January. The seasonally adjusted

iobless rate is expected to jump above the

figures are released for the final quarter of

1995: the government has already warned of a slight fall compared with the third

compared with the fourth quarter of 1994.

10 per cent in January. Further gloomy

news is due on Thursday, when GDP

quarter, and only marginal growth

of voting in the war-affected south, will almost certainly leave President Omar Hassan al-Bashir in charge.

FT Survey Review of Information Technology.

Public holldays

#### Ghana (Independence Day). THURSDAY

#### Palestinian council sits

The 88-member Palestinian legislative council, which will run Palestinian autonomous areas in the West Bank and Gaza, holds its inaugural session in Gaza City. Many Palestinians see the council as an important milestone on the road to statehood. Headed by Yassir Arafat, it will play a vital role in final-status talks with israel. Most members belong to Arafat's Fatah movement and support the peace sizable opposition. And Hamas, the Islamic Resistance Movement, which opposes the ace process and boycotted the elections, peace process and built is glaringly absent.

#### Rape verdict in Japan

The Naha district court in Japan rules on the three US servicemen accused of raping a schoolgirl in Okinawa prefecture last September. The incident has provoked a erious debate in Japan over US military bases in Okinawa, the biggest US military presence in Asia.

#### Geneva car show

The Geneva motor show opens. Highlights include Renault's Fiftie, a small mid-engined two-seater concept car commemorating the 50th anniversary of the 4CV, Renault's post-war people's car; a V8-engined Lotus; a convertible Peugeot 406 styling exercise which is a possible for production; and Maxx, General Motors' prototype of a possible city car.

#### FT Surveys Peru; Franchising.

#### FRIDAY

#### Andean Pact summit



Six Latin American presidents start a two-day meeting in Trufillo, on the Peruvian coast 300 miles north of Lima. They will be hoping the so-called city of

eternal spring helps rejuvenate the Andean Pact which, after a quarter of a century of existence, is flagging hadly and is overshadowed by the newer Mercosur and Nafta free-trade agreements.

tran elects parliament Up to 40m Iranians are entitled to vote for 3,232 candidates from more than a dozen the combination of a boycott by the former lists of political groups in a parliamentary civilian political parties, and the problems election in Iran. Parties as such are

hanned under the 1981 Islamic constitution, which gives the Shia clergy a monopoly over political life. The leftist clergy are largely discredited, however. The make-up of the new 270 seat Majlis will be seen as a verdict on President Hashemi Rafsanjani's attempts to liberalise the economy.

#### Mastering Management

The FT's 20-part series continues in the UK edition with part 18. Non-UK readers can take out a subscription. Contact: PO Box 384, Sutton, Surrey, SM1 4XE, UK. Tel: +44 181 770 9772, Fax: +44 181 643 7330.

#### Athletics European indoor championships, Stockholm (to Mar 10).

#### FT Survey European Rusiness Property.

**Public holidays** Azerbaijan, Belarus, Belize, Georgia, Liberia, Russis, Syria, Turkmenistan, Uganda, Ukraine.

#### SATURDAY

Sampaio installed in Portugal Jorge Sampaio, a former mayor of Lisbon, is sworn in as Portugal's new president, succeeding fellow-socialist Mário Soares, who is retiring at 71. Mr Sampaio's election is the first time since the return of democracy in 1974 that the Portuguese have chosen a president from the same party as the government. Although limited, the president's powers include deciding when to call elections. Mr Sampaio could provide vital support for Antonio Guterres, the prime minister, whose socialists are four seats short of an

#### EU ministers in Palermo

overall parliamentary majority.

EU foreign ministers gather in Palermo, Italy, to discuss organisational aspects of the EU inter-governmental conference at the end of March in Turin. One of the more sensitive issues is whether to involve the European parliament. Most member states would be happy to invite MEPs as observers. However, the UK, France and Portugal would prefer simply to keep parliamentarians informed and to hear their views. Other issues on the agenda include EU policy on former Yugoslavia, particularly in relation to reconstruction and the return of refugees.

#### Public holidays

#### SUNDAY

Motor racing

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#### Start of the Formula One grand prix

Compiled by Simon Strong. Fax: (+44) (0)171 878 8194

#### Other economic news

Wednesday: Although economic data is rather sparse this week, economists will be watching any indicators particularly closely, amid renewed fears that European growth is slowing.

Unemployment figures in Belgium early this week are likely to point to further job cuts in February.

February are also expected in Germany. However, a survey from the Confederation of British Indus-

growth trends in that area. Spain's economy is thought to have expanded by 0.5 per cent between the third and fourth quarters - a healthier picture than other European

GDP data in Germany is andely expected to show that the economy contracted. In London, meanwhile, the Bank of England governor meets the Chancellor for their

amid renewed expectations

ACROSS

1 Instigate froite in gym (6)
4 Injury caused by spring in lock (8)

ock (9)
Planet or star unmoving? (6)
10 Put up with champion (5.3)
11 A tantaliser resting (2.4)
12 Do race tips change for the better? (8)

14 A river between lakes and bay (6) 17 Erased document about lease

poet (5)
25 Dancing bug (3)
26 A strict disciplinarian or an

27 Deal with name (6) 28 Trojan heroine finding salad plant on mountain (8)

29 Elusory sight of silver in mud

30 Slim work translated by textile manufacturer (8)
31 White herons, for example, endless shift ... (6) ... after strike-leader fun of shifts (6)

Toat's a puzzle (6) 25 Proposal for nurse (6)

23 Trial for freeloader (6) 24 I must have Gilbert and Sul-

livan overtures to talk about?

artist holds it right back (8)

13 Scan scam (3)

of a cut in UK interest

countries.

rates.

Further job loss figures for try will be watched for signs that consumer spending is rising in the UK. And fourth quarter GDP data in Spain will be examined for

Thursday: Fourth quarter regular monetary discussion

#### Statistics to be released this week

			~~~	400 EO 80	-	1		
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual				
Non	UK	Feb t//O*	0.8%	-0.2%	•			
Mar 4	UK	Feb MO**	5.9%	5 <i>5%</i>				
	UK	Official reserves	\$37.5m	S-33-	•			
	υS	Jan personal income	-	0.4%				
	US	Jan pers consumer expend	c.1%	27%				
	Jaçar:	Boul garp service prices"	•	-0.3%				
	Argitma	Jan trade balance	\$30m	\$1*7 <del></del>	•			
Tues	US	Jan leading indicators	-0.6%	22%	•			
Mar 5	US .	Jan factory orders	-C.3%	1.3%	•			
-	นร	Jan factory inventiones	•	5.1%	•			
	Span	Feb official reserves	-	\$1.2 <del>2</del> 7	•			
Wed	US	Q4 productivity prelim	-	1,475	•			
*Xar 6	Gennany	Feb unemployment, West†	29.66G	-7.522	•			
	Germany	Nov employment, West†	-12,CCC	-8 725	•			
	Germany	Feb unemplo/ment,E†	25.600	42.000	•			
	Gernany	Feb vacancies,West;	-	12.000	•			
	Span	O4 GD>	2.8%	2 9%	_			
	italy	Feb CPI**	5%	5.5%	•			
	Sweden	Jan PPI	3.1%	5.4%	•			
שהד	UK	Jan cyclical indicators	-	N/A	_			
Mar 7	US	Jan esnsumer credit	\$7bn	\$7.55~	•			
	Gurmany	C4 GDP West**	8.9%	1.5%	*			
	Germany	C4 GDP can-Germany**	J.9 <del>%</del>	*.3%				

				_
Mar B	US	Feb unemployment	5.7%	5.8%
	US	Feb average workweek	-	33.7
	US	Feb hourly earnings	0.2%	0.5%
	นร	Feb m'facturing payrolls	15,000	-72,000
	<b>US</b>	Feb nonfarm payrolls	297,000	-201,000
	Canada	Feb employment*	0.2%	0.3%
	Canada	Feb unemployment	2.8%	9,6%
	Canada	Feb housing starts	102,000	96,000
	Canada	Dec Labour Income"	0.1%	0%
	N'lands	Jan retail sales	-	-1.1%
	N'iands	Feb CPI*	0.8%	0.4%
	N'iands	Feb CPIT	1.9%	1.9%
	Mexico	Feb CPT	2.84%	3.59%
	Sweden	Feb unemployment	7.7%	8.2%
	Switand	Feb unemployment	4.5%	4.5%
During 1	the week			
	Germany	Dec trade balance	DM8bn	DM10.6br
	Germany	Dec current s/c	DM-20n	DM0.7bs
	Germany	Jan final M3 (Q4 94)	<b>.</b>	2.7%
	Germany	Jan final M3 (Q4 95)	-	N/A
	Germany	Jan Ind Prod, Wh	-0.5%	0%
	Germany	Jan m'facturing cutput"	-1%	0.7%

#### DOWN Fair father's fur (8) No hunter discovered fugative (2.3.2) (2.3.2) Yery cold farry building at the bottom of the garden? (8) Make a comeback and do the twist again? (6) Scene composed by a Roman dramatist (6) Well acquainted with gold if 7 Well acquainted with gold if at exchange (2,4) 8 Setter being cryptic, in a way 21 Get an old coat, thanks to 12 Animal found in Arctic or Animal bug (3) 13 General wheels within wheels 16 Prescribed plant /3/ 18 Mother, growing old, is hurtful (8) 19 Plant person preceding Plymouth player (3) 20 No employment for one on

#### MONDAY PRIZE CROSSWORD

No.9.009 Set by CINCINNUS A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday March 14, marked Monday Crossword 9,009 on the envelope, to the Financial Times, 1 Southwark Bridge, London SEI 9HL. Solution on Monday March 19, Please allow 28 days for delivery

Winners 8,997 C.J. Ould, Kesgrave, Suffolk Mrs. S.A. Board, Wales, Nr. Sbeffield

Mrs J. Campbell Jones, Harpenden, Herrs M. Honey, Bristol J.L.V. Summerhayes, Camberley, Surrey D. Yeo, Plymouth, Devon

Solution 8,997 

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